

ING Bank (Eurasia) ZAO

Consolidated Financial Statements
for the year ended 31 December 2002

ING Bank (Eurasia) ZAO
Shareholders, Officers and Auditors

Shareholders on 31 December 2002

	% Ownership	% Votes
ING Bank N.V.	99.001	99.001
Van Zwamen Holding B.V.	0.999	0.999
	<u>100.000</u>	<u>100.000</u>

Board of Directors on 31 December 2002

P. van Zanten
J. Nijssen
A. van Meteren
C. Teppema
H. ten Bosch

Board of Management on 31 December 2002

H. ten Bosch
B. Geels
G. Hulina
S. Walker
M. Perneti
S. Matveev
V. Nikolaeva
K. Sapozhnikova
M. Travkina
A. Popov
V. Arzhantseva
D. Kushaev
M. Safonov

Auditors

KPMG Limited, Moscow

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AUDITOR'S REPORT TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ING BANK (EURASIA) ZAO

We have audited the accompanying consolidated balance sheet of ING Bank (Eurasia) ZAO and its subsidiaries ("the Bank") as of 31 December 2002 and the related statements of income, cash flow and changes in equity for the year then ended. The consolidated financial statements, as set out on pages 5 to 38, are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2002 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

KPMG Limited
Moscow, Russian Federation
7 April 2003

ING Bank (Eurasia) ZAO
Consolidated Income Statement
For the year ended 31 December 2002

	Notes	<u>2002</u> <u>USD '000</u>	<u>2001</u> <u>USD '000</u>
Interest income		24 560	24 015
Interest expense		<u>(15 843)</u>	<u>(14 878)</u>
Net interest income	4	8 717	9 137
Fee and commission income	5	11 010	7 057
Fee and commission expense	6	<u>(3 635)</u>	<u>(2 114)</u>
Net fee and commission income		7 375	4 943
Net trading income	7	9 812	14 463
Net foreign exchange income		1 004	852
Other income	8	<u>1 059</u>	<u>384</u>
Operating income		27 967	29 779
General administrative expenses	9	(25 579)	(24 605)
Net (charge for)/recovery of impairment losses	10	<u>(1 632)</u>	<u>1 755</u>
Operating expenses		<u>(27 211)</u>	<u>(22 850)</u>
Income before income tax expense		756	6 929
Income tax expense	11	<u>(1,132)</u>	<u>(2 836)</u>
Net (loss)/income for the year		<u><u>(376)</u></u>	<u><u>4 093</u></u>

The consolidated financial statements as set out on pages 5 to 38 were approved by the Board of Management of the Bank on 7 April 2003.

General Director

Chief Financial Officer

Hendrik ten Bosch

Katerina Sapozhnikova

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

ING Bank (Eurasia) ZAO
Consolidated Balance Sheet
as of 31 December 2002

	Notes	<u>2002</u> <u>USD '000</u>	<u>2001</u> <u>USD '000</u>
ASSETS			
Cash		5 406	4 272
Due from the Central Bank of the Russian Federation	12	31 629	19 495
Placements with banks and other financial institutions	13	101 078	198 754
Financial instruments held for trading	14	37 530	29 136
Loans to customers	15	320 506	241 043
Investments	16	5 122	4 556
Other assets	17	3 280	1 880
Property and equipment	18	2 636	2 580
Goodwill	19	6 035	-
Total Assets		<u><u>513 222</u></u>	<u><u>501 716</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial instruments held for trading	14	147	-
Deposits and balances from banks and other financial institutions	20	227 823	204 879
Amounts payable under repurchase agreements	21	8 800	-
Current accounts and deposits from customers	22	218 060	224 649
Promissory notes		642	14 131
Other liabilities	23	7 989	7 920
Total Liabilities		463 461	451 579
Shareholders' Equity			
Share capital	24	6 599	6 599
Share premium		84 901	84 901
Accumulated losses		(41 739)	(41 363)
Total Shareholders' Equity		49 761	50 137
Commitments and Contingencies	26,27 28		
Total Liabilities and Shareholders' Equity		<u><u>513 222</u></u>	<u><u>501 716</u></u>

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

ING Bank (Eurasia) ZAO
Consolidated Statement of Cash Flows
for the year ended 31 December 2002

	2002	2001
Note	<u>USD '000</u>	<u>USD '000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and fee and commission receipts	34 632	33 138
Interest and fee and commission payments	(19 707)	(18 589)
Net receipts from financial assets held for trading	10 985	19 810
Other income	1 049	384
Cash payments to employees and suppliers	(23 823)	(21 068)
Turnover taxes refunded	-	4
Operating cash flow before changes in operating assets and liabilities	<u>3 136</u>	<u>13 679</u>
(Increase)/decrease in operating assets		
Due from the Central Bank of the Russian Federation	(7 501)	(6 584)
Placements with banks and other financial institutions	59 506	(94 906)
Financial instruments held for trading	(8 597)	(9 320)
Loans to customers	(81 620)	(66 460)
Other assets	(913)	708
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	22 854	105 023
Amounts payable under repurchase agreements	8 793	(1 948)
Current accounts and deposits from customers	(6 673)	99 962
Promissory notes	(13 271)	10 975
Other liabilities	(31)	(57)
Net cash (used in)/provided by operating activities before income taxes paid	<u>(24 317)</u>	<u>51 072</u>
Income taxes paid	(607)	(3 028)
Cash flows (used in)/provided by operations	<u>(24 924)</u>	<u>48 044</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of property and equipment	(1 835)	(1 378)
Net purchases of investments	(343)	(4 506)
Purchase of CSFB custody business	(6 295)	-
Cash flows used in investing activities	<u>(8 473)</u>	<u>(5 884)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(33 397)</u>	<u>42 160</u>
Effect of changes in exchange rates on cash and cash equivalents	1 004	992
Cash and cash equivalents at the beginning of the year	76 470	33 318
Cash and cash equivalents at the end of the year	30 <u>44 077</u>	<u>76 470</u>

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

ING Bank (Eurasia) ZAO
Consolidated Statement of Changes in Shareholders' Equity
for the year ended 31 December 2002

	Share Capital USD '000	Share premium USD '000	Accumulated losses USD '000	Total USD '000
Balance at 1 January 2001	6 599	84 901	(45 456)	46 044
Net income for the year	-	-	4 093	4 093
Balance at 31 December 2001	6 599	84 901	(41 363)	50 137
Net loss for the year	-	-	(376)	(376)
Balance at 31 December 2002	6 599	84 901	(41 739)	49 761

The consolidated statement of changes in shareholders' equity is to be read in conjunction with the notes, to and forming part of, the consolidated financial statements.

1. Background

(a) Principal activities

ING Bank (Eurasia) ZAO was established in the Russian Federation as a closed joint-stock company with limited liability in September 1993, and was granted its general banking license in March 1995. The activities of the Bank are regulated by the Central Bank of Russia (the “CBR”) and the Ministry of Finance of Russia. The average number of persons employed by the Bank during the year was 218 (2001: 195).

During 2001 ING Bank (Eurasia) ZAO had two 100% owned subsidiaries, ING Leasing (Eurasia) and ING (Eurasia) Financial Services, which were consolidated into these financial statements. The 2002 consolidated financial statements include the subsidiary ING Leasing (Eurasia) only as ING (Eurasia) Financial Services was sold during the year.

The principal activities of ING Bank (Eurasia) ZAO and its subsidiaries (the “Bank”) are commercial lending, operations with securities and foreign exchange, custodian and cash management services, and deposit taking.

The Bank is part of the ING Group, an international financial group headquartered in Amsterdam and operating in over 60 countries. Details of related party transactions with the ING Group are provided in note 29 to the consolidated financial statements.

(b) Russian business environment

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

(c) Economic dependence

The Bank is substantially owned by ING Bank N.V. The majority of the Bank’s funding is from ING Bank N.V. and other ING Group companies (“the Group”) and as such the Bank is economically dependent on the Group. The activities of the Bank are closely linked with the requirements of the Group and determination of the pricing of the Bank’s services to the Group is undertaken in conjunction with other Group companies.

2. Basis of preparation

(a) Statement of compliance

The Bank maintains its accounting records in accordance with Dutch GAAP. The accompanying financial statements have been prepared from those accounting records and adjusted, as necessary, in order to comply with the requirements of International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”).

2. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available for sale, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

(c) Measurement and Presentation Currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”). The measurement and presentation currency used in the preparation of these consolidated financial statements is the United States Dollar (USD). The USD has been used as the measurement and presentation currency as management considers that the USD reflects the economic substance of the underlying events and circumstances relevant to the Bank due to the majority of its financial assets and financial liabilities as well as income and expenses are denominated in USD. Financial information presented in USD has been rounded to the nearest thousand.

(d) Convertibility of the Rouble

The RUR 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.

(e) Basis of consolidation

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank 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.

(f) Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Bank’s assets, as well as the future operation of the Bank, may be significantly affected by the current and future economic environment (refer note 1 (b)). The accompanying consolidated financial statements do not include any adjustments should the Bank be unable to continue as a going concern.

3. Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied.

(a) Foreign currency transactions

Income and expenses, and non-monetary items included in the consolidated balance sheet at year-end denominated in currencies other than the USD are recorded by applying the market exchange rate prevailing on the date of the transaction. Exchange differences resulting from a change in the exchange rate between the transaction date and the date of settlement are recognised in the consolidated income statement. Non USD denominated monetary items included in the consolidated balance sheet at year-end are translated at the market exchange rate at the year end. The resulting difference is recognised in the consolidated income statement for the year. The RUR/USD exchange rates as of 31 December 2002 and 2001 were RUR 31.7844 to USD 1 and RUR 30.14 to USD 1, respectively.

(b) Cash and cash equivalents

The Bank considers cash and nostro accounts to be cash and cash equivalents. The minimum reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its withdrawability.

(c) Financial instruments

(i) Classification

Trading instruments are those that the Bank principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated and effective hedging instruments, and liabilities from short sales of financial instruments. All trading instruments are included in financial assets or liabilities held for trading in the balance sheet.

Originated loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans. Originated loans and receivables are included in placements with banks and other financial institutions, loans to customers, due from the Central Bank of the Russian Federation and other assets in the balance sheet.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These instruments are included within investments in the balance sheet.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. These instruments are included within investments in the balance sheet.

3. Significant accounting policies (continued)

(ii) *Recognition*

The Bank recognises financial instruments held for trading and available-for-sale assets on the date it commits to purchase the assets.

Held-to-maturity assets and originated loans and receivables are recognised on the day they are transferred to or originated by the Bank.

(iii) *Measurement*

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading and all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on 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.

(iv) *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 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 balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank 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.

(v) *Gains and losses on subsequent measurement*

Gains and losses arising from a change in the fair value of all trading and available-for-sale instruments are recognised in the consolidated income statement.

(d) *Derecognition*

A financial asset is derecognised when the Bank loses control over contractual rights that comprise that assets. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

3. Significant accounting policies (continued)

(d) Derecognition (continued)

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Bank commits to sell the asset. The Bank uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Bank.

(e) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase are retained within the trading or available-for-sale securities portfolios and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognised in the consolidated income statement over the term of the repurchase agreement.

Securities held under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognised in the consolidated income statement over the term of the reverse repurchase agreement. The receivables due under reverse repurchase agreements are shown net of any necessary provision for impairment.

(f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

(g) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation (refer below) and impairment losses (refer to note 3(i) below).

(ii) Depreciation

Depreciation is charged to the consolidated income statement on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences from the year of acquisition. The estimated useful lives are as follows:

Office machines & equipment	5 years
Leasehold improvements	5-6 years
Data processing equipment	3 years
Motor vehicles	5 years
Computer software	3 years

3. Significant accounting policies (continued)

(h) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses (refer to note 3(i) below).

(i) Impairment

The carrying amounts of the Bank's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

(i) *Calculation of recoverable amount*

The recoverable amount of the Bank's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of the Bank's trading investments and investments available-for-sale is their fair value.

The recoverable amount of other assets is the greater of their net selling price 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.

(ii) *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss 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.

3. Significant accounting policies (continued)

(j) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the consolidated income statement.

(k) Provisions

A provision is recognised in the consolidated balance sheet when the Bank 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.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the 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 is not provided for: 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 difference 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 balance sheet date.

3. Significant accounting policies (continued)

(l) Income tax (continued)

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.

(m) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the CBR and other Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings as and when declared.

(n) Comparative information

Comparative information has been reclassified to conform to changes in presentation in the current year.

(o) Interest income and expense

Interest income and expense is recognised in the consolidated income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes 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 rate basis.

(p) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

(q) Net trading income

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading and available for sale assets.

4. Net interest income

	2002	2001
	USD '000	USD '000
Interest income		
Loans to customers	16 869	16 307
Placements with banks and other financial institutions	4 754	5 523
Amounts receivable under reverse repurchase agreements	2	4
Financial instruments held for trading and investments	2 935	2 181
	<u>24 560</u>	<u>24 015</u>
Interest expense		
Deposits and balances from banks and other financial institutions	12 285	10 568
Current accounts and deposits from customers and promissory notes	3 551	4 309
Amounts payable under repurchase agreements	7	1
	<u>15 843</u>	<u>14 878</u>
Net interest income	<u><u>8 717</u></u>	<u><u>9 137</u></u>

5. Fee and commission income

	2002	2001
	USD '000	USD '000
Custody and brokerage fees	4 195	3 678
Agency and advisory fees	2 472	221
Currency control fees	1 073	613
Cash management fees	969	696
Foreign exchange commissions	762	524
Funds transfer fees	634	504
Guarantee and trade finance fees	446	404
Other	459	417
	<u>11 010</u>	<u>7 057</u>

6. Fee and commission expense

	2002	2001
	USD '000	USD '000
Guarantee fees	2 251	1 226
Custody and brokerage fees	825	585
Funds transfer fees	162	87
Other	397	216
	<u>3 635</u>	<u>2 114</u>

7. Net trading income

	2002	2001
	USD '000	USD '000
Realised gain from trading instruments	8 898	14 372
Unrealised gain from trading instruments	914	91
	<u>9 812</u>	<u>14 463</u>

ING Bank (Eurasia) ZAO
Notes to, and forming a part of, the consolidated financial statements
for the year ended 31 December 2002

8. Other income

	2002	2001
	USD '000	USD '000
Fees for services provided to ING Group Banks	1 049	384
Gain on disposal of investment in ING (Eurasia) Financial Services OOO	10	-
	<u>1 059</u>	<u>384</u>

9. General administrative expenses

	2002	2001
	USD '000	USD '000
Employee compensation	11 524	11 775
Intercompany charges	3 411	2 423
Turnover based taxes	2 210	1 732
Occupancy	1 780	1 643
Depreciation	1 711	1 889
Communication, automation and information services	1 598	1 555
Professional services	1 029	855
Travel	675	619
Security	463	359
Amortisation	260	-
Insurance	143	377
Other	775	1 378
	<u>25 579</u>	<u>24 605</u>

10. Net (charge for)/recovery of impairment losses

	2002	2001
	USD '000	USD '000
Impairment losses		
Loans to customers	(1 632)	(1 329)
	<u>(1 632)</u>	<u>(1 329)</u>
Reversals of impairment losses		
Recovery of provision for contingent litigation	-	2 610
Recovery of other provisions	-	474
	<u>-</u>	<u>3 084</u>
Net (charge for)/recovery of impairment losses	<u>(1 632)</u>	<u>1 755</u>

11. Income tax expense

	2002 USD '000	2001 USD '000
<i>Current tax expense</i>		
Current year	918	2 558
Under provided in prior years	214	278
	<u>1 132</u>	<u>2 836</u>
<i>Deferred tax expense</i>	-	-
Income tax expense	<u>1 132</u>	<u>2 836</u>

The Bank's applicable tax rate is 24% (2001 – 43%).

Reconciliation of effective tax rate:	2002 USD '000	2001 USD '000
Income before tax	<u>756</u>	<u>6 929</u>
Income tax using the applicable tax rate	181	2 980
Non-deductible costs and non-taxable income	(1 004)	(1 922)
Effect of deferred tax assets not recognised	1 741	1 500
Under provided in prior years	214	278
Income tax expense	<u>1 132</u>	<u>2 836</u>

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 as of 31 December 2002 and 2001. These deferred tax assets have not been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the temporary differences can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods. The future tax benefits have not been recognised due to uncertainties concerning their realisation. The unrecorded deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

<u>In thousands of USD</u>	Assets		Liabilities		Net	
	2002	2001	2002	2001	2002	2001
Financial instruments held for trading	-	-	2 040	472	2 040	472
Loans to customers	(739)	-	-	-	(739)	-
Investments	-	-	6	9	6	9
Other assets	-	(210)	-	-	-	(210)
Property and equipment	(737)	(749)	-	-	(737)	(749)
Goodwill	(54)	-	-	-	(54)	-
Amounts payable under reverse repurchase agreements	(2 112)	-	-	-	(2 112)	-
Other liabilities	(1 645)	(1 022)	-	-	(1 645)	(1 022)
Net deferred tax (assets)/liabilities	<u>(5 287)</u>	<u>(1 981)</u>	<u>2 046</u>	<u>481</u>	<u>(3 241)</u>	<u>(1 500)</u>
Valuation allowance	-	-	-	-	3 241	1 500
Net deferred tax (assets)/liabilities	<u>(5 287)</u>	<u>(1 981)</u>	<u>2 046</u>	<u>481</u>	<u>-</u>	<u>-</u>

12. Due from the Central Bank of the Russian Federation

	2002	2001
	USD '000	USD '000
Minimum reserve deposit	21 824	14 323
Nostro accounts	<u>9 805</u>	<u>5 172</u>
	<u>31 629</u>	<u>19 495</u>

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted. The nostro balances represent balances with the CBR related to settlement activity and were available for withdrawal at year end.

13. Placements with banks and other financial institutions

	2002	2001
	USD '000	USD '000
Term deposits	72 212	131 728
Nostro accounts	<u>28 866</u>	<u>67 026</u>
	<u>101 078</u>	<u>198 754</u>

Concentration of placements with banks and other financial institutions

As at 31 December 2002 and 2001, placements with banks and other financial institutions which individually comprised more than 10% of placements with banks and other financial institutions were as follows:

	2002	2001
	USD '000	USD '000
ING Group Banks	78 474	125 405
Chase Manhattan Bank of New York	<u>-</u>	<u>50 884</u>
	<u>78 474</u>	<u>176 289</u>

14. Financial instruments held for trading

	2002	2001
	USD '000	USD '000
Financial assets held for trading		
<i>Debt and other fixed-income instruments</i>		
Russian Government GKO/OFZ	24 103	6 366
Corporate bonds		
Tyumen Oil Company Bonds	2 846	3 721
Gazprom Bonds	2 524	-
IFC Credit Linked Notes	2 314	-
Vneshtorgbank Bonds	1 919	2 626
Credit Suisse First Boston Bonds	-	4 063
Promissory notes – European Bank for Reconstruction and Development	1 999	9 681
Municipal bonds – City of Moscow	1 802	716
<i>Derivative financial instruments</i>		
Foreign exchange contracts	23	1 963
	37 530	29 136
Financial liabilities held for trading		
<i>Derivative financial instruments</i>		
Foreign exchange contracts	147	-
	147	-

Management based its valuation at 31 December 2002 and 2001 of financial assets held for trading on published market prices less an illiquidity and bid-offer spread provision.

Foreign currency contracts

The table below summarises, by major currency, the contractual amounts of the Bank's forward exchange contracts outstanding at 31 December 2002 and 2001 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts have been recognised in the consolidated income statement and in financial instruments held for trading, as appropriate.

14. Financial instruments held for trading (continued)

	Weighted average contracted exchange rates		Notional amount	
	2002	2001	USD	USD
<i>Buy USD sell RUR</i>				
Less than three months	32,39	29,97	11 547	48 728
<i>Sell USD buy RUR</i>				
Less than three months	31,91	30,78	39 339	28 594
Between three months and one year	-	32,93	-	13 111
<i>Buy Euros sell RUR</i>				
Less than three months	-	26,49	-	8 789
<i>Sell Euros buy RUR</i>				
Less than three months	33,24	26,28	6 275	8 719
<i>Buy Euros sell USD</i>				
Less than three months	1,04	0,88	6 077	8 789
<i>Sell Euros buy USD</i>				
Less than three months	1,05	-	192	-

15. Loans to customers

Industry and geographical analysis of the loan portfolio

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

	2002 USD '000	2001 USD '000
Retail customers	818	1 061
Commercial customers		
Food and tobacco production	71 694	60 390
Oil and petroleum production	56 449	46 139
Trade	53 489	33 821
Food service	50 061	46 288
Mining/metallurgy	32 373	-
Finance	25 117	12 317
Real estate	9 001	12 025
Building	8 529	-
Manufacturing	6 899	7 816
Telecommunications	4 869	18 912
Agriculture, forestry and timber	154	309
Other	7 570	6 850
Provision for impairment	(6 517)	(4 885)
	320 506	241 043

15. Loans to customers (continued)

Analysis of movements in the provision for impairment

	2002 USD '000	2001 USD '000
Balance at the beginning of the year	4 885	3 556
Net charge for the year	1 632	1 329
	<u>6 517</u>	<u>4 885</u>
Balance at the end of the year	<u><u>6 517</u></u>	<u><u>4 885</u></u>

Concentration of loans to customers

As at 31 December 2002 and 2001, loans to customers which individually comprised more than 10% of total loans to customers were as follows:

	2002 USD '000	2001 USD '000
McDonald's Group Companies	49 071	45 378
OAONK LUKOIL	34 321	-
Sibirskaya Oil Company	-	39 147
Alfa Laval Group Companies	-	24 011
	<u>83 392</u>	<u>108 536</u>
	<u><u>83 392</u></u>	<u><u>108 536</u></u>

Loan maturities

The maturity of the Bank's loan portfolio is presented in Note 34, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. It is the Bank's policy to schedule the contractual maturity of its customer loans before the date it actually expects full repayment of the exposures from the borrower. This is done in order to allow the Bank to reprice its loan portfolio on a regular basis, thus limiting its interest rate risk. Accordingly, the effective maturity of the loan may be longer than the classification indicated based on contractual terms.

16. Investments

	2002 USD '000	2001 USD '000
Available for sale		
<i>Equity instruments - unlisted</i>		
Depository Clearing Company	50	50
<i>Debt instruments - unlisted</i>		
Alfa Bank promissory note – maturing in January 2003	5 072	-
Held-to-maturity		
<i>Debt instruments - unlisted</i>		
Alfa Bank promissory note – matured in January 2002	-	4 506
	<u>5 122</u>	<u>4 556</u>
	<u><u>5 122</u></u>	<u><u>4 556</u></u>

17. Other assets

	2002	2001
	USD '000	USD '000
Custody fees receivable	971	484
Revenue based tax prepayments	702	122
Rental prepayments	452	304
Income tax prepayments	204	232
Other	951	738
	<u>3 280</u>	<u>1 880</u>

18. Property and equipment

	Office Machines & Equipment	Leasehold Improve- ments	Data Processing Equipment	Motor Vehicles	Computer Software	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Cost						
At 1 January 2002	3 041	1 215	1 969	359	2 716	9 300
Additions	598	31	444	158	604	1 835
Disposals	(151)	-	(27)	(148)	(188)	(514)
At 31 December 2002	<u>3 488</u>	<u>1 246</u>	<u>2 386</u>	<u>369</u>	<u>3 132</u>	<u>10 621</u>
Accumulated depreciation						
At 1 January 2002,	1 871	842	1 926	163	1 918	6 720
Depreciation charge	537	238	454	81	401	1 711
Disposals	(110)	-	(27)	(121)	(188)	(446)
At 31 December 2002	<u>2 298</u>	<u>1 080</u>	<u>2 353</u>	<u>123</u>	<u>2 131</u>	<u>7 985</u>
Carrying value						
At 31 December 2002	<u>1 190</u>	<u>166</u>	<u>33</u>	<u>246</u>	<u>1 001</u>	<u>2 636</u>
At 31 December 2001	<u>1 170</u>	<u>373</u>	<u>43</u>	<u>196</u>	<u>798</u>	<u>2 580</u>

19. Goodwill

Goodwill relates to the purchase of the Russian custody business of Credit Suisse First Boston, Moscow and is amortised over its useful life of 6 years.

	USD '000
Cost	
At 1 January 2002	-
Additions	6 295
Disposals	-
	-
At 31 December 2002	6 295
Amortisation and impairment losses	
At 1 January 2002	-
Amortisation charge	260
Impairment losses	-
	-
At 31 December 2002	260
Carrying value	
At 31 December 2001	-
At 31 December 2002	6 035

20. Deposits and balances from banks and other financial institutions

	2002	2001
	USD '000	USD '000
Term deposits	219 724	162 856
Vostro accounts	8 099	42 023
	227 823	204 879

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2002 and 2001, deposits and balances from banks and other financial institutions which individually comprised more than 10% of total deposits and balances from banks and other financial institutions were as follows:

	2002	2001
	USD '000	USD '000
ING Group Banks	150 114	112 338
Russian Bank of Development	-	34 974
	150 114	147 312

21. Amounts payable under repurchase agreements

	2002 USD '000	2001 USD '000
Amounts due to banks and other financial institutions	8 800	-
	<u>8 800</u>	<u>-</u>

Securities pledged

As of 31 December 2002, the Bank had pledged the following financial assets as collateral for amounts owed under repurchase agreements:

	Fair value 2002 USD '000	Fair value 2001 USD '000
Russian Government debt securities (OFZ)	8 732	-
	<u>8 732</u>	<u>-</u>

22. Current accounts and deposits from customers

	2002 USD '000	2001 USD '000
Demand deposits	110 889	168 738
Term deposits	107 171	55 911
	<u>218 060</u>	<u>224 649</u>

Blocked accounts

As of 31 December 2002, the Bank maintained customer deposit balances of 382 USD'000 (2001: 3,167 USD'000) which were blocked by the Bank as collateral for off-balance sheet credit instruments granted by the Bank.

Concentration of current accounts and deposits from customers

As at 31 December 2002 and 2001, current accounts and deposits from customers which individually exceeded 10% of current accounts and deposits from customers were as follows:

	2002 USD '000	2001 USD '000
Vimpelcom	39 679	-
Tyumen Oil Company	31 625	-
The Bank of New York International Nominees	-	54 997
	<u>71 304</u>	<u>54 997</u>

23. Other liabilities

	2002	2001
	USD '000	USD '000
Payable to ING Group companies	4 371	4 053
Employee compensation payable	2 164	2 907
Taxes payable	744	219
Other	710	741
	<u>7 989</u>	<u>7 920</u>

24. Share capital

Issued capital and share premium

The authorised, issued and fully paid capital as at 31 December 2002 and 2001 consists of 46 540 ordinary shares with a par value of 750 RUR each.

Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of the balance sheet date, amounts available for distribution amount to 9,314 USD'000 (2001: 4,313 USD'000).

25. Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to credit exposures, liquidity and movements in interest rates and foreign exchange rates. These risks are managed in the following manner:

(i) 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.

The Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk.

The Bank's credit policy is reviewed and approved by the Board of Directors.

25. Risk management (continued)

(ii) Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities. The Bank has access to the markets, which allow it to reposition itself quickly as market conditions dictate.

The Bank's interest rate policy is reviewed and approved by the Board of Directors.

See Note 33 "Average effective interest rates".

(iii) Liquidity risk

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

The Bank's liquidity policy is reviewed and approved by the Board of Directors.

See Note 34 "Maturity analysis".

(iv) Foreign exchange rate risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currencies risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Bank's foreign currency policy is reviewed and approved by the Board of Directors.

See Note 35 "Currency analysis".

26. Commitments

Undrawn Loan Commitments

At 31 December 2002 and 2001 the Bank had the following undrawn loan commitments maturing in:

	2002 USD '000	2001 USD '000
2002	-	25 332
2003	26 882	24 300
	26 882	49 632

The above undrawn loan commitments include only those loan commitments that are not fully cancellable at the Bank's discretion. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Guarantees and letters of credit

The Bank issues guarantees and letters of credit on behalf of its customers. These instruments bear a credit risk similar to that of loans granted. The amounts outstanding are as follows:

	2002 USD '000	2001 USD '000
Guarantees issued maturing in less than 1 year	1 220	14 141
Guarantees issued maturing in more than 1 year	10	9
	1 230	14 150

	2002 USD '000	2001 USD '000
Import letters of credit maturing in less than 1 year	-	6 696

The total outstanding contractual amount of guarantees and letters of credit do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

The contractual maturity of the above instruments is the latest date that the Bank may be called to honour its obligation under the instrument.

Based on management's estimate, no provisions are required against guarantees and letters of credit issued by the Bank.

Pension and retirement plans

Employees receive pension benefits from the Government of the Russian Federation in accordance with the laws and regulations of the country. As of 31 December 2002 and 2001, the Bank was not liable for any supplementary pension, post-retirement health care, or insurance benefits to its current or former employees.

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2002	2001
	USD '000	USD '000
2002	-	1 281
2003	1 207	1 610
2004	1 203	1 203
	<u>2 410</u>	<u>4 094</u>

The Bank 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.

During the current year 1,523 USD'000 was recognised as an expense in the consolidated income statement in respect of operating leases (2001: 1,391 USD'000).

28. Contingencies

(i) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

29. Related party transactions

(i) Transactions with Directors and senior management

The outstanding balances, and related average interest rates, as of 31 December 2002 and 2001 with Directors and senior management of the Bank are as follows:

	2002 USD '000	Average Interest Rate	2001 USD '000	Average Interest Rate
Loans	348	6,58%	148	6,82%

Amounts included in the consolidated income statement in relation to transactions with Directors and senior management of the Bank are as follows:

	<u>2002</u> <u>USD '000</u>	<u>2001</u> <u>USD '000</u>
<i>Interest income</i>		
Interest income on loans to Directors and senior management	13	11

Total remuneration included in "Employee compensation" (refer note 9):

	<u>2002</u> <u>USD '000</u>	<u>2001</u> <u>USD '000</u>
Board of Management	<u>3 139</u>	<u>3 873</u>

(ii) Transactions with ING Group Banks

The outstanding balances and the related average interest rates as of 31 December 2002 and 2001 with ING Group Banks are as follows:

	2002 USD '000	Average Interest Rate	2001 USD '000	Average Interest Rate
<i>Assets</i>				
Placements with banks and other financial institutions	78 474	1%	125 405	2,43%
Financial instruments held for trading	-	-	1 417	-
<i>Liabilities</i>				
Deposits and balances from banks and other financial institutions	150 114	1,56%	112 338	2,44%
Financial instruments held for trading	124	-	-	-
Other liabilities	4 371	-	4 053	-

29. Related party transactions (continued)

Amounts included in the consolidated income statement in relation to transactions with ING Group Banks are as follows:

	<u>2002</u> <u>USD '000</u>	<u>2001</u> <u>USD '000</u>
<i>Interest income</i>		
Interest income on placements with banks	2 484	3 334
<i>Interest expense</i>		
Interest expense on deposits and balances from banks and other financial institutions	(2 607)	(4 667)
<i>Fee and commission income</i>		
Custody and brokerage fees	-	237
Agency and advisory fees	1 794	221
<i>Fee and commission expense</i>		
Guarantee fees	(2 251)	(1 226)
<i>Other income</i>		
Fees for services provided to ING Group Banks	1 049	384
<i>General administrative expenses</i>		
Intercompany charges	(3 411)	(2 423)
Insurance fees	(143)	(377)
<i>Net foreign exchange income</i>	(1 433)	(5 159)

30. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flow is composed of the following items:

	<u>2002</u> <u>USD '000</u>	<u>2001</u> <u>USD '000</u>
Cash	5 406	4 272
Due from the Central Bank of the Russian Federation - nostro accounts	9 805	5 172
Nostro accounts with banks and other financial institutions	28 866	67 026
	<u>44 077</u>	<u>76 470</u>

31. Custody activities

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

As at 31 December 2002 the total value of securities held by the Bank on behalf of customers totalled 22,185,465 USD'000.

32. Fair value of financial instruments

The Bank has performed an assessment of its financial instruments, as required by IAS 32 *Financial Instruments: Disclosure and Presentation*, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The Bank believes that it is able to estimate fair value of financial assets and financial liabilities. The Bank estimates the fair value of these assets to be not materially different from their carrying values.

This estimate of fair value is intended to approximate the amount at which the above listed financial assets could be exchanged in a current transaction between willing parties. However given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

33. Average effective interest rates

The table below displays the Bank's interest bearing assets and liabilities as at 31 December 2002 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 USD '000	2002 Average Effective Interest Rate	Value USD '000	2001 Average Effective Interest Rate
Interest Bearing Assets				
Due from Central Bank of the Russian Federation	31 629	0.00%	19 495	0.00%
Placements with banks and other financial institutions				
- RUR	13 227	10.24%	15 656	15.63%
- USD	73 183	1.07%	172 031	1.60%
- other currencies	14 668	0.00%	11 067	2.65%
Loans to customers				
- RUR	88 849	15.40%	6 359	23.63%
- USD	225 442	3.99%	227 667	4.40%
- other currencies	6 215	5.83%	7 017	5.60%
Investments				
- USD	5 072	6.56%	4 506	8.45%
Financial instruments held for trading				
- RUR	37 507	14.67%	27 173	12.81%
Interest Bearing Liabilities				
Deposits and balances from banks and other financial institutions				
- RUR	76 784	12.97%	83 689	27.38%
- USD	150 988	1.55%	106 064	2.39%
- other currencies	51	0%	15 126	3.55%
Amounts payable under repurchase agreements				
- RUR	8 800	15.00%	-	-
Current accounts and deposits from customers				
- RUR	94 360	7.73%	117 747	8.54%
- USD	102 483	0.27%	93 315	0.43%
- other currencies	21 217	2.18%	13 587	2.44%
Promissory notes				
- RUR	-	-	334	15.00%
- USD	642	1.00%	13 252	2.71%
- other currencies	-	-	545	3.20%

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34. Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2002. Due to the fact that substantially all the financial instruments of the Bank are fixed rate contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

	Less than 1 month USD '000	1 to 3 months USD '000	3 to 6 months USD '000	6 months to 1 year USD '000	More than 1 year USD '000	No maturity USD '000	Total USD '000
Assets							
Cash	5 406	-	-	-	-	-	5 406
Due from the Central Bank of the Russian Federation	9 805	-	-	-	-	21 824	31 629
Placements with banks and other financial institutions	101 078	-	-	-	-	-	101 078
Financial instruments held for trading	23	2 260	5 187	7 231	22 829	-	37 530
Loans to customers	164 537	99 124	19 715	17 993	19 137	-	320 506
Investments	5 072	-	-	-	-	50	5 122
Other assets	1 132	2 148	-	-	-	-	3 280
Property and equipment	-	-	-	-	-	2 636	2 636
Goodwill	-	-	-	-	-	6 035	6 035
Total assets	287 053	103 532	24 902	25 224	41 966	30 545	513 222
Liabilities							
Financial instruments held for trading	147	-	-	-	-	-	147
Deposits and balances from banks and other financial institutions	115 612	80 792	16 288	15 131	-	-	227 823
Amounts payable under repurchase agreements	8 800	-	-	-	-	-	8 800
Current accounts and deposits from customers	197 247	20 642	50	121	-	-	218 060
Promissory notes	632	-	-	-	10	-	642
Other liabilities	948	2 495	-	2 388	2 158	-	7 989
Total liabilities	323 386	103 929	16 338	17 640	2 168	-	463 461
Net position as at 31 December 2002	(36 333)	(397)	8 564	7 584	39 798	30 545	49 761
Net position as at 31 December 2001	(22 749)	41 458	(34 453)	47 694	1 234	16 953	50 137

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35. Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2002:

	RUR USD '000	USD USD '000	Other currencies USD '000	Total USD '000
Assets				
Cash	2 359	2 900	147	5 406
Due from the Central Bank of the Russian Federation	31 629	-	-	31 629
Placements with banks and other financial institutions	13 227	73 183	14 668	101 078
Financial instruments held for trading	37 530	-	-	37 530
Loans to customers	88 849	225 442	6 215	320 506
Investments	50	5 072	-	5 122
Other assets	2 121	1 087	72	3 280
Property and equipment	2 636	-	-	2 636
Goodwill	6 035	-	-	6 035
Total assets	184 436	307 684	21 102	513 222
Liabilities				
Financial instruments held for trading	147	-	-	147
Deposits and balances from banks and other financial institutions	76 784	150 988	51	227 823
Amounts payable under repurchase agreements	8 800	-	-	8 800
Current accounts and deposits from customers	94 360	102 483	21 217	218 060
Promissory notes	-	642	-	642
Other liabilities	3 034	4 946	9	7 989
Total liabilities	183 125	259 059	21 277	463 461
On balance sheet position	1 311	48 625	(175)	49 761
Off balance sheet position	34 067	(33 677)	(390)	-
Net Position as at 31 December 2002	35 378	14 948	(565)	49 761
Net Position as at 31 December 2001	(136 496)	188 709	(2 076)	50 137

36. Concentration of assets and liabilities

The geographical concentration of assets and liabilities as at 31 December 2002 was as follows:

	Government of the Russian Federation USD '000	Other Russian Entities (1) USD '000	Other Non- OECD USD '000	OECD USD '000	Total USD '000
Assets					
Cash	2 359	-	-	3 047	5 406
Due from the Central Bank of the Russian Federation	31 629	-	-	-	31 629
Placements with banks and other financial institutions	-	11 694	-	89 384	101 078
Financial instruments held for trading	24 103	9 116	2	4 309	37 530
Loans to customers	-	320 482	-	24	320 506
Investments	-	5 122	-	-	5 122
Other assets	906	1 202	412	760	3 280
Property and equipment	-	2 636	-	-	2 636
Goodwill	-	6 035	-	-	6 035
Total assets	58 997	356 287	414	97 524	513 222
Liabilities					
Financial instruments held for trading	-	24	-	123	147
Deposits and balances from banks and other financial institutions	-	76 026	283	151 514	227 823
Amount payable under repurchase agreements	-	8 800	-	-	8 800
Current accounts and deposits from customers	-	190 250	18 292	9 518	218 060
Promissory notes	-	642	-	-	642
Other liabilities	744	2 584	-	4 661	7 989
Total liabilities	744	278 326	18 575	165 816	463 461
Net position as at 31 December 2002	58 253	77 961	(18 161)	(68 292)	49 761
Net position as at 31 December 2001	28 676	49 968	(38 619)	10 112	50 137

(1) Includes all entities domiciled in the Russian Federation, including the Russian subsidiaries of foreign entities.

37. Acquisitions and disposals

In February 2002 the Bank purchased from Credit Suisse First Boston, Moscow (“CSFB”) its custody operations in Russia for 6,295 USD’000. The business consisted of approximately 60 clients which had 1,100 USD’000 of securities held in custody with CSFB.

On 16 December 2002, the Bank sold 100% of the share capital of ING (Eurasia) Financial Services OOO to ING Continental Europe Holdings B.V (ING Group company) for 60 USD’000. The Bank’s carrying value at the time of disposal was 50 USD’000.

38. Subsequent events

In January 2003 the Bank attracted a subordinated loan from ING Bank N.V. of 25,000 USD’000 maturing in December 2012. The interest rate is LIBOR plus 4% payable annually.