

ING Bank (Eurasia) ZAO

Consolidated Financial Statements
for the year ended 31 December 2005

ING Bank (Eurasia) ZAO
Shareholders, Officers and Auditors

Shareholders on 31 December 2005

	% 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 2005

I. van Vaesberg
H. ten Bosch
M. Villey
D. Tuneberg
R. Neeland

Board of Management on 31 December 2005

H. ten Bosch
S. Matveev
S. Walker
M. Chaikin
T. Savina

Auditors

ZAO KPMG

Contents

Independent Auditors' Report	
Consolidated Income Statement	1
Consolidated Balance Sheet	2
Consolidated Statement of Cash Flows	3
Consolidated Statement of Changes in Shareholders' Equity	4
Notes to the Consolidated Financial Statements	5

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
ING BANK (EURASIA) ZAO**

We have audited the accompanying consolidated balance sheet of ING Bank (Eurasia) ZAO ("the Bank") and its subsidiary (the "Group") as at 31 December 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Group as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG
31 March 2006

ING Bank (Eurasia) ZAO
 Consolidated Income Statement for the year ended
 31 December 2005

		2005	2004
	Notes	<u>RUR'000</u>	<u>RUR'000</u>
Interest income	4	1 548 529	812 529
Interest expense	4	<u>(799 868)</u>	<u>(384 052)</u>
Net interest income		748 661	428 477
Fee and commission income	5	809 516	605 608
Fee and commission expense	6	<u>(183 765)</u>	<u>(107 299)</u>
Net fee and commission income		625 751	498 309
Net securities trading income		74 754	70 320
Net foreign exchange income	7	302 064	274 267
Other income		<u>74 038</u>	<u>35 029</u>
Operating income		1 825 268	1 306 402
Provisions for impairment	8	(40 876)	154 626
General administrative expenses	9	<u>(981 121)</u>	<u>(725 574)</u>
Operating expenses		<u>(1 021 997)</u>	<u>(570 948)</u>
Income before taxes		803 271	735 454
Income tax expense	10	<u>(259 009)</u>	<u>(168 230)</u>
Net income		<u>544 262</u>	<u>567 224</u>

General Director
 Hendrik W. ten Bosch

Chief Financial Officer
 Olga Semenova

	Notes	2005 RUR'000	2004 RUR'000
ASSETS			
Cash		247 824	238 364
Due from the Central Bank of the Russian Federation	11	3 029 962	8 061 599
Placements with banks and other financial institutions	12	11 052 905	3 810 125
Financial instruments at fair value through profit or loss	13	3 732 880	2 098 176
Loans to customers	14	15 277 788	9 986 513
Financial assets available-for-sale	15	-	1 589
Other assets	16	245 207	157 297
Property and equipment	17	138 391	70 203
Goodwill	18	125 125	125 125
Deferred tax asset	19	55 584	38 500
Total Assets		33 905 666	24 587 491
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial instruments at fair value through profit or loss	13	101 401	277 195
Deposits and balances from banks and other financial institutions	20	8 286 547	9 684 538
Subordinated loans	21	1 458 653	729 468
Current accounts and deposits from customers	22	20 560 586	10 986 106
Certificates of deposit and promissory notes		17 087	51 792
Other liabilities	23	237 380	158 642
Total Liabilities		30 661 654	21 887 741
Shareholders' Equity	24		
Share capital		209 745	209 745
Share premium		2 698 527	2 698 527
Retained earnings/(accumulated losses)		335 740	(208 522)
Total Shareholders' Equity		3 244 012	2 699 750
Total Liabilities and Shareholders' Equity		33 905 666	24 587 491
Commitments and Contingencies	26,27&28		

ING Bank (Eurasia) ZAO
Consolidated Statement of Cash Flows for the year ended
31 December 2005

	Note	2005 RUR'000	2004 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and fee and commission receipts		2 177 432	1 376 787
Interest and fee and commission payments		(954 259)	(526 886)
Net receipts from financial assets at fair value through profit or loss and foreign exchange		174 434	449 831
Other income		49 917	29 856
General administrative expenses		(884 575)	(623 721)
		562 949	705 867
(Increase)/decrease in operating assets			
Reserve deposits with the Central Bank of the Russian Federation		51 827	(603 927)
Placements with banks and other financial institutions		(1 388 922)	(1 968 982)
Financial instruments at fair value through profit or loss		(1 581 638)	(404 501)
Loans to customers		(5 268 569)	(880 417)
Other assets		27 796	(40 573)
Increase/(decrease) in operating liabilities			
Deposits and balances from banks and other financial institutions		(1 405 553)	782 406
Amounts payable under repurchase agreements			-
Current accounts and deposits from customers		9 572 459	6 800 433
Certificates of deposit and promissory notes		(34 817)	(272 601)
Other liabilities		22 788	(22 005)
		558 320	4 095 700
Net cash from operating activities before taxes paid			
Taxes paid		(287 359)	(176 589)
		270 961	3 919 111
CASH FLOWS FROM INVESTING ACTIVITIES			
Net sales of investments		-	72 599
Net purchases of property and equipment		(132 776)	(29 840)
		(132 776)	42 759
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of subordinated loans		676 074	-
		676 074	-
Net increase in cash and cash equivalents			
Effect of changes in exchange rates on cash and cash equivalents		46 738	(52 042)
Cash and cash equivalents at the beginning of the year		7 557 769	3 647 941
Cash and cash equivalents at the end of the year	31	8 418 766	7 557 769

ING Bank (Eurasia) ZAO
Consolidated Statement of Changes in Shareholders' Equity for the year ended
31 December 2005

	Share Capital	Share premium	Retained earnings/ (accumulated losses)	Total
	RUR'000	RUR'000	RUR'000	RUR'000
Balance at 1 January 2004	209 745	2 698 527	(775 746)	2 132 526
Net income	-	-	567 224	567 224
Balance at 31 December 2004	209 745	2 698 527	(208 522)	2 699 750
Net income	-	-	544 262	544 262
Balance at 31 December 2005	209 745	2 698 527	335 740	3 244 012

1 Background

a) Principal activities

These consolidated financial statements include the financial statements of ING Bank (Eurasia) ZAO and its subsidiary, ING Leasing (Eurasia) OOO (together referred to as the “Group”).

ING Bank (Eurasia) ZAO (the “Bank”) was established in the Russian Federation as a joint-stock company with limited liability in September 1993 and was granted its general banking license in March 1995. The principal activities of the Bank are deposit taking, commercial lending, operations with securities and foreign exchange, custodian and cash management services. The activities of the Bank are regulated by the Central Bank of the Russian Federation (“the CBR”).

ING Leasing (Eurasia) was established in 2001 as a limited liability company but started its operations in 2005. ING Leasing (Eurasia) OOO is 100% owned by ING Bank (Eurasia) ZAO. The principal activity of ING Leasing (Eurasia) is to provide finance lease to its customers.

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 30 to the consolidated financial statements.

The registered address of the Bank’s head office is 36, Krasnopleterskaya st., 127473, Moscow, Russian Federation. The majority of the Bank’s assets and liabilities are located in the Russian Federation.

The average number of persons employed by the Group during the period was 237 (2004: 208).

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 Group. The future business environment may differ from management assessment.

c) Economic dependence

The Bank is 100% owned by ING Group. The activities of the Bank are coordinated by the requirements of the ING Group and determination of the pricing of the Bank’s services to the ING Group is undertaken in conjunction with other ING Group companies. Related party transactions are detailed in note 30.

2 Basis of preparation

a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

b) Basis of measurement

The consolidated financial statements are prepared on a fair value basis for derivative financial instruments, financial instruments at fair value through profit or loss 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) Functional and Presentation Currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”). Management have determined the Group’s functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group.

The RUR was also selected to be the Group’s presentation currency for the purposes of these consolidated financial statements.

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

d) 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 consolidated 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 are described in Note 14.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied except for the changes in accounting policies described in Note 3 (q).

a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

b) 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 balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Income and expenses, and non-monetary items denominated in foreign currencies, whose purchase price was denominated in foreign currency, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

c) Cash and cash equivalents

The Group considers cash and nostro accounts to be cash and cash equivalents. The reserve deposits with the CBR are not considered to be a cash equivalent due to restrictions on their withdrawability.

d) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
 - are 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;
 - are a derivative (except for a derivative that is a designated and effective hedging instrument);
- or
- are, upon initial recognition, designated by the entity as at fair value through the profit or loss.

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 receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, and those that the Group upon initial recognition designates as at fair value through profit or loss, those that the Group upon initial recognition designates as

available-for-sale, or those for which the Group 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 Group has the positive intention and ability to hold to maturity, other than those that:

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

(ii) Recognition

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

(iii) 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.

(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 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.

(v) 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 consolidated income statement; and
- a gain or loss on an available-for-sale financial asset is recognized directly in equity through the consolidated statement of changes in shareholders' equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in the consolidated income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the consolidated 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 consolidated income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the 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.

e) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase are retained within the financial instruments at fair value through profit or loss 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 have been shown net of provision for impairment.

f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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 asset

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.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as financial leases. Equipment acquired by way of financial 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.

Operating leases, in the terms of which the Group does not assume substantially all the risks and rewards of ownership, are expensed.

(iii) 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 on the date when property and equipment are put into use. The estimated useful lives are as follows:

Leasehold improvements	5 to 6 years
Office machines & equipment	5 years
Data processing equipment	3 years
Motor vehicles	5 years

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 impairment losses.

i) Other intangible assets

(i) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

(ii) Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Software	3 years
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j) Impairment

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (“loans and receivables”). The 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 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 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 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 consolidated 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.

(ii) 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 reliably measured. If there is objective evidence that such investments are impaired the impairment loss is calculated as the difference 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 consolidated income statement and can not be reversed.

(iii) 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 income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed 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.

k) Provisions

A provision is recognised in the balance sheet when the 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.

l) Share capital

(i) Dividends

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

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings calculated in accordance with Russian legislation as and when declared.

(ii) Redemption of shares

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

m) Taxation

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 are 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 at the 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.

n) 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/liability 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.

o) Fee and commission income

Loan origination 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 live of the financial instrument using the effective interest rate method.

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

p) Net securities trading income

Net securities trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities at fair value through profit or loss and gains and losses arising from disposals of available-for-sale assets.

q) Changes in accounting policies

During the current year the Group changed a number of its accounting policies as a result of new or revised Standards that are effective for periods beginning on or after 1 January 2005. The following changes had an impact on the Group's financial position or results of operations, or resulted in changes in classification or level of information disclosed in the financial statements.

- Application of IAS 1 "Presentation of Financial Statements" (revised 2003) has resulted in increased disclosures, including disclosure of critical accounting estimates and judgments in applying accounting policies.
- Application of IAS 24 "Related Party Disclosures" (revised 2003) has resulted in increased disclosures in respect of related party transactions.

- During 2004 the Group adopted IFRS 3 Business Combinations, revised IAS 36 Impairment of Assets and revised IAS 38 Intangible Assets for business combinations with an agreement date on or after 31 March 2004. During the current year the Group adopted the revised standards in full. In accordance with the transitional provisions of these standards as at 1 January 2005 the balance of accumulated amortisation of goodwill of RUR 74 958 thousand was written off against the cost of that goodwill, which had no effect on the net carrying amount. All goodwill is now tested for impairment annually (see note 18).

There was no impact on opening retained earnings as at 1 January 2005 from the adoption of any of the above mentioned standards.

r) **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 2005, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

- *IFRS 7 Financial Instruments: Disclosures*, which are effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's financial instruments.
- Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures*, which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's capital.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions*, which is effective for annual periods beginning on or after 1 January 2006. The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item if certain criteria are met.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – The Fair Value Option*, which is effective for annual periods beginning on or after 1 January 2006. The amendment restricts the designation of financial instruments as “at fair value through profit or loss”.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts – Financial Guarantee Contracts*, which is effective for annual periods beginning on or after 1 January 2006. The amendment requires guarantees that are not insurance contracts to be measured at fair value upon initial recognition.

4 Interest income and interest expense

	2005	2004
	RUR '000	RUR '000
Interest income		
Loans to customers	685 407	551 870
Placements with banks and other financial institutions	585 054	137 723
Financial instruments at fair value through profit or loss	278 068	122 936
	1 548 529	812 529
Interest expense		
Deposits and balances from banks and other financial institutions	310 260	291 335
Current accounts, deposits from customers and promissory notes	432 177	53 205
Subordinated loans	57 431	39 512
	799 868	384 052

5 Fee and commission income

	2005	2004
	RUR '000	RUR '000
Custody and brokerage fees	443 924	317 349
Agency and advisory fees	100 738	120 180
Currency control fees	89 599	62 898
Guarantee and trade finance fees	57 803	16 422
Fund transfer fees	31 308	23 695
Cash management fees	29 610	31 033
Foreign exchange commissions	20 142	18 177
Other	36 392	15 854
	809 516	605 608

6 Fee and commission expense

	2005	2004
	RUR '000	RUR '000
Custody and brokerage fees	125 887	66 134
Guarantee fees	35 182	19 671
Funds transfer fees	9 415	6 519
Other	13 281	14 975
	183 765	107 299

7 Net foreign exchange income

	2005 RUR '000	2004 RUR '000
Net gain from revaluation of financial assets and liabilities	236 089	377 968
Net gain/(loss) on spot transactions and derivatives	65 975	(103 701)
	302 064	274 267

8 Provisions for impairment

	2005 RUR '000	2004 RUR '000
(Increase)/decrease in provision for impairment on loans to customers	(21 486)	154 626
Increase in provisions for impairment on placements with banks and other financial institutions	(2 355)	-
Increase in provisions for guarantees and letters of credit	(17 035)	-
	(40 876)	154 656

9 General administrative expenses

	2005 RUR '000	2004 RUR '000
Employee compensation	493 588	335 900
Occupancy and accommodation	123 095	70 184
Equipment maintenance	78 401	31 709
Depreciation	64 588	48 306
Communications and information services	50 008	41 895
Travel and representation	45 725	40 142
Payroll related taxes and contributions	39 978	31 738
Professional services	37 154	45 629
Security	13 169	14 913
Taxes other than on income	9 448	3 197
Office supplies	8 776	6 899
Amortisation of goodwill	-	33 347
Other	17 191	21 715
	981 121	725 574

10 Income tax expense

	2005 RUR '000	2004 RUR '000
Current tax expense		
Current year	(272 603)	(146 242)
(Under)/over provided in prior years	(3 490)	8 137
	<u>(276 093)</u>	<u>(138 105)</u>
Deferred tax benefit/(expense)		
Origination and reversal of timing differences	75 163	(30 125)
Change in valuation allowance	(58 079)	-
	<u>(259 009)</u>	<u>(168 230)</u>

The Group's applicable tax rate for current and deferred tax is 24%.

Reconciliation of effective tax rate:

	2005 RUR '000	2004 RUR '000
Income before tax	<u>803 271</u>	<u>735 454</u>
Income tax expense using the applicable tax rate	192 785	176 509
Net non-deductible costs	9 880	3 934
Effect of income taxed at lower tax rate	(5 225)	(4 076)
Effect of change in valuation allowance	58 079	-
Under/(over) provided in prior years	3 490	(8 137)
	<u>259 009</u>	<u>168 230</u>

11 Due from the Central Bank of the Russian Federation

	2005 RUR '000	2004 RUR '000
Nostro account	1 802 403	6 782 213
Minimum reserve deposit	870 960	451 494
Reserve deposit on clients' operations subject to currency control	356 599	827 892
	<u>3 029 962</u>	<u>8 061 599</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. Amounts placed on the reserve deposit on client operations subject to currency control are non-interest bearing term deposits that originate from customer transactions subject to Russian currency control legislation. Amounts and terms of those deposits are the same as those of customer deposits, placed with the Group. The nostro balances represent balances with the CBR related to settlement activity and were available for withdrawal at year end.

12 Placements with banks and other financial institutions

	2005	2004
	RUR '000	RUR '000
Nostro accounts	6 368 539	537 192
Loans and deposits	4 686 721	3 272 933
	11 055 260	3 810 125
Provision for impairment	(2 355)	-
	11 052 905	3 810 125

Analysis of movements in the provision for collective impairment

	2005	2004
	RUR '000	RUR '000
Balance at the beginning of the year	-	-
Net charge for the year	2 355	-
Balance at the end of the year	2 355	-

Concentration of placements with banks and other financial institutions

As at 31 December 2005 and 2004, 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:

	2005	2004
	RUR '000	RUR '000
Chase Manhattan Bank NY	3 788 751	-
ING Group Banks	2 419 542	602 053
Lloyds Bank	1 641 411	-
	7 849 704	602 053

13 Financial instruments at fair value through profit or loss

	2005	2004
	RUR '000	RUR '000
Financial assets held for trading		
Russian corporate bonds	2 720 361	1 435 685
Russian Government GKO/OFZ	35 909	454 262
Russian municipal bonds	26 587	131 752
Foreign currency contracts (spots and forwards)	115 471	76 477
Financial instruments designated as at fair value through profit or loss upon initial recognition		
Corporate bonds of Russian Standard Bank	462 905	-
Loan to Russian Standard Bank	139 232	-
Credit linked notes issued by ING Bank NV linked to loan granted to Russian Bank of Development	232 415	-
	3 732 880	2 098 176
Financial liabilities held for trading		
Foreign currency contracts (spots and forwards)	(92 877)	(277 195)
SWAPs	(8 524)	-
	(101 401)	(277 195)

Gains and losses arising on derivative financial instruments and changes in fair value of other financial instruments through profit and loss are recognised in net securities trading income/(loss) or net foreign exchange income/(loss), as appropriate.

Foreign currency contracts

The table below summarises, by major currency, the contractual amounts of the Group's forward exchange contracts outstanding at 31 December 2005 and 2004 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 unmaturing contracts have been recognised in the consolidated income statement and in financial instruments held for trading, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	2005	2004	2005	2004
	RUR '000	RUR '000		
Buy USD sell RUR				
Less than three months	11 944 047	14 734 130	28.69	28.09
Between three months and one year	1 438 938	1 858 935	28.75	29.04

	Notional amount		Weighted average contracted exchange rates	
<i>Sell USD buy RUR</i>				
Less than three months	8 554 094	8 984 284	28.68	27.81
Between three months and one year	4 246 306	626 548	28.80	29.41
More than one year	-	161 539	-	31.76
<i>Sell Euro buy RUR</i>				
Less than three months	777 045	10 958	34.27	35.87
Between three months and one year	1 910 041	214 415	35.06	38.05
<i>Buy Euro sell USD</i>				
Less than three months	512 775	45 372	1.19	1.36
<i>Sell Euro buy USD</i>				
Less than three months	276 806	49 127	1.19	1.26
<i>Buy GBP sell USD</i>				
Less than three months	-	13 322	-	1.93

14 Loans to customers

Industry and geographical analysis of the loan portfolio

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

	2005	2004
	RUR '000	RUR '000
<i>Retail customers</i>	<u>25 888</u>	<u>18 460</u>
<i>Commercial customers</i>		
Trade	5 413 406	2 830 505
Food and tobacco production	2 817 016	1 667 059
Manufacturing	3 087 456	1 608 569
Mining/metallurgy	1 206 155	1 028 843
Oil and petroleum production	1 007 686	1 590 858
Telecommunications	756 994	432 438
Logistics/Warehouses	187 729	278 728
Finance	692 370	325 092
Construction	70 068	200 959
Other	62 777	33 273
	<u>15 327 545</u>	<u>10 014 784</u>
Provision for impairment	(49 757)	(28 271)
	<u>15 277 788</u>	<u>9 986 513</u>

Concentration of loans to customers

As at 31 December 2005 and 2004 loans to customers which individually comprised more than 10% of gross loans to customers were as follows:

	2005	2004
	RUR '000	RUR '000
TetraPack	<u>2 350 464</u>	<u>-</u>
	<u>2 350 464</u>	<u>-</u>

Analysis of movements in the provision for collective impairment

	2005	2004
	RUR '000	RUR '000
Balance at the beginning of the period	<u>28 271</u>	<u>182 897</u>
Net charge/(recovery) for the period	<u>21 486</u>	<u>(154 626)</u>
Balance at the end of the period	<u>49 757</u>	<u>28 271</u>

The Group has reviewed its current loan portfolio and has not identified any loans which display individually indicators of impairment. In addition, the Group historically has had no uncollectible loans. The Group has therefore created collective provision for impairment for groups of loans with similar credit risk characteristics based on credit risk assessment methodology consistently applied by ING Group worldwide.

Loan maturities

The maturity of the Group'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 or draw-down repayment date. Due to the short-term nature of the credits issued by the Bank, which are usually prolonged, it is likely that many of the Group's 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.

15 Financial assets available for sale

	2005	2004
	RUR '000	RUR '000
<i>Equity instruments – unlisted</i>		
Depository Clearing Company	<u>-</u>	<u>1 589</u>
	<u>-</u>	<u>1 589</u>

16 Other assets

	2005	2004
	RUR '000	RUR '000
VAT receivable	92 918	2 027
Custody fees receivable	88 228	52 048
Settlements with suppliers	24 133	45 404
Income tax receivable	18 223	-
Accrued corporate finance fees	11 494	43 108
Settlements with VISA International and Europay International	4 660	6 712
Other	5 551	7 998
	245 207	157 297

17 Property and equipment

RUR'000	Office Machines & Equipment	Leasehold Improve- ments	Data Processing Equipment	Motor Vehicles	Computer Software	Total
Cost						
At 31 December 2004	116 425	39 603	91 194	17 321	94 829	359 372
Additions	69 503	-	48 084	10 337	4 852	132 776
Disposals	(3 246)	(38 033)	(70 418)	(4 936)	(1 233)	(117 866)
At 31 December 2005	<u>182 682</u>	<u>1 570</u>	<u>68 860</u>	<u>22 722</u>	<u>98 448</u>	<u>374 282</u>
Depreciation						
At 31 December 2004	82 326	39 603	83 155	6 020	78 065	289 169
Depreciation charge	33 105	-	8 784	4 887	17 812	64 588
Disposals	(3 246)	(38 033)	(70 418)	(4 936)	(1 233)	(117 866)
At 31 December 2005	<u>112 185</u>	<u>1 570</u>	<u>21 521</u>	<u>5 971</u>	<u>94 644</u>	<u>235 891</u>
Carrying value						
At 31 December 2005	<u>70 497</u>	<u>-</u>	<u>47 339</u>	<u>16 751</u>	<u>3 804</u>	<u>138 391</u>
At 31 December 2004	<u>34 099</u>	<u>-</u>	<u>8 039</u>	<u>11 301</u>	<u>16 764</u>	<u>70 203</u>

18 Goodwill

Goodwill relates to the purchase of the Russian custody business of Credit Suisse First Boston, Moscow. As at 1 January 2005 the balance of accumulated amortisation of goodwill of RUR 74 958 thousand was written off against the cost of the goodwill due to changes in accounting policies as described in Note 3(q). Starting from 1 January, 2005 goodwill is tested for impairment annually.

19 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 as of 31 December 2005 and 2004. The net deferred tax asset represents the amount that can be off set against the future taxable profits.

These temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

RUR'000	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Financial instruments at fair value through profit or loss	4 956	4 152	-	-	4 956	4 152
Loans to customers	15 966	6 794	-	-	15 966	6 794
Financial assets available for sale	-	-	-	(189)	-	(189)
Other assets	-	-	(1 901)	(9 784)	(1 901)	(9 784)
Property and equipment	8 051	16 914	-	-	8 051	16 914
Goodwill	-	-	(9 379)	(1 461)	(9 379)	(1 461)
Other liabilities	37 891	22 074	-	-	37 891	22 074
Tax losses carried forward	58 079	-	-	-	58 079	-
	124 943	49 934	(11 280)	(11 434)	113 663	38 500
Valuation allowance	(58 079)	-	-	-	(58 079)	-
Net deferred tax assets/(liabilities)	66 864	49 934	(11 280)	(11 434)	55 584	38 500

The rate of tax applicable for deferred taxes was 24% (31 December 2004: 24%).

20 Deposits and balances from banks and other financial institutions

	2005 RUR '000	2004 RUR '000
Current accounts and demand deposits	639 964	3 920 420
Term deposits	7 646 583	5 764 118
	8 286 547	9 684 538

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2005 and 2004, 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:

	2005 RUR '000	2004 RUR '000
ING Group Banks	1 121 548	4 340 732
Alfa Bank	1 500 863	-
Bank of New York	-	3 681 832
	2 622 411	8 022 564

21 Subordinated loans

	2005 RUR '000	2004 RUR '000
Subordinated loan from ING Bank N.V. in the nominal amount of USD 25,000 thousand maturing on 30 December 2012 at an interest rate of 3 months LIBOR + 4%	768 676	729 468
Subordinated loan from ING Bank N.V. in the nominal amount of EUR 20,000 thousand maturing on 21 November 2015 at an interest rate 3 months EURIBOR + 6%	689 977	-
	1 458 653	729 468

According to the terms of the agreements on the loans above, the creditor may not demand repayment of loan before maturity. In case of bankruptcy of the borrower, liabilities under the loan are repaid after settlement of all other liabilities of the Group. Interest on the loan is paid annually.

22 Current accounts and deposits from customers

	2005 RUR '000	2004 RUR '000
Current accounts and demand deposits	7 996 635	6 943 176
Term deposits	12 563 951	4 042 930
	20 560 586	10 986 106

Blocked accounts

As of 31 December 2005, included in current accounts and deposits from customers are amounts of RUR 48,759 thousand which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group (2004: RUR 104,168 thousand).

Concentrations of current accounts and customer deposits

As at 31 December 2005 and 2004, current accounts and deposits from customers which individually exceeded 10% of total current accounts and deposits from customers were as follows:

	2005 RUR '000	2004 RUR '000
Norilsk Nickel	3 251 175	-
TNK - BP	2 885 414	-
Rosneft	2 872 745	-
Megafon	2 192 218	1 388 771
	11 201 552	1 388 771

23 Other liabilities

	2005	2004
	RUR '000	RUR '000
Employee compensation payable	163 439	84 242
Other taxes payable	30 094	17 145
Provision for guarantees and letters of credit	17 035	-
Payables to suppliers	16 272	2 619
Tax and legal provisions	-	43 652
Income tax payable	-	6 957
Other	10 540	4 027
	237 380	158 642

24 Share capital

Issued capital

The authorised, issued and outstanding share capital as at 31 December 2005 comprises 46 540 ordinary shares (31 December 2004: 46 540) with a par value of RUR 750.

The holders of ordinary shares 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 Group.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Group which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as of 31 December 2005, retained earnings available for distribution amounted to RUR 1,622,684 thousand (2004: RUR 1,342,407 thousand).

25 Risk management

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

Market risk

Price risk

Price risk is the risk that the value of a financial 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. Price risk arises when the Group takes a long or short position in a financial instrument.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Fair value 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. For further information on the Group's exposure to fair value interest rate risk at year end refer to Notes 33 and 34.

Currency risk

The 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. For further information on the Group's exposure to currency risk at year end refer to Notes 13 and 35.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions which are monitored on a regular basis and reviewed and approved by the Management Board.

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 Group. The Group 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 Group's credit risk. The Group's credit policy is reviewed and approved by the Management Board.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Group's liquidity policy is reviewed and approved by the Management Board. For further information on the Group's exposure to liquidity risk at year end refer to Note 34.

26 Commitments

The contractual amounts of commitments are set out in the following table by category.

	2005	2004
	RUR '000	RUR '000
Contracted amount		
Undrawn loan commitments	305 765	369 804
Guarantees and letters of credit	5 191 136	3 551 556

The above undrawn loan commitments include only those loan commitments that are not fully cancellable at the Group'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. Consequently commitments listed above should not be treated as expected cash outflows.

27 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	<u>2005</u> <u>RUR '000</u>	<u>2004</u> <u>RUR '000</u>
Less than one year	85 655	72 844
Between one and five years	342 477	299 707
	<u>428 132</u>	<u>372 551</u>

The Group leases a number of premises under operating lease. The leases typically run for an initial period of up to five 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 this year ended 31 December 2005 RUR 123 095 thousand (31 December 2004: RUR 70 184 thousand) was recognized as an expense in the consolidated income statement in respect of operating leases.

28 Contingencies

Insurance

The 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 Group property or relating to Group operations. Until the 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 Group's operations and financial position.

Litigation

Group's management is unaware of any significant actual, pending or threatened claims against the Group.

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 unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe 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.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these IFRS consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

29 Custody activities

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

30 Related party transactions

Transactions with directors and senior management

Total remuneration included in employee compensation (refer note 9):

	2005 RUR '000	2004 RUR '000
Employee compensation	53 744	53 583
Salary related taxes	2 255	2 262
Contributions to non-state pension funds	353	347
Total remuneration	<u>56 352</u>	<u>56 192</u>

The amount presented above includes compensation only in respect of the senior management (Board of Management members) of the Group.

Loans issued to directors and senior management and average interest rates as of 31 December 2005 and 2004 are as follows:

	2005 RUR '000	Average Interest Rate	2004 RUR '000	Average Interest Rate
<i>Balance Sheet</i>				
Loans to senior management	6 518	8.27%	832	10.00%
Interest income	145		10	

Transactions with Parent Company

The outstanding balances and the related average interest rates as of 31 December 2005 and 2004 with the Parent Company are as follows:

	2005 RUR '000	Average Interest Rate	2004 RUR '000	Average Interest Rate
Assets				
Placements with banks and other financial institutions	2 413 192	1.13%	596 247	2.10%
Credit linked notes	232 320	7.60%	-	-
Foreign currency contracts (spots and forwards)	77 069	-	-	-
Other assets	4 319	-	43 108	-
Liabilities				
Placements from banks and other financial institutions	554 891	4.33%	4 338 349	2.25%
Subordinated loans	1 458 653	6.04%	729 468	5.39%
Foreign currency contracts (spots and forwards)	57 972	-	195 498	-
Other liabilities	-	-	158	-
Off Balance sheet items				
Guarantees received	17 419 494	-	14 160 598	-

Amounts included in the consolidated income statement in relation to transactions with the Parent Company are as follows:

	2005 RUR '000	2004 RUR '000
Interest income	41 811	31 578
Interest expense	(92,542)	(162 463)
Fee and commission income	-	49 940
Fee and commission expense	(24 291)	(16 569)
Net foreign exchange gain/(loss)	15 301	(37 396)

Transactions with other ING Group Companies

The outstanding balances and the related average interest rates as of 31 December 2005 and 2004 with other ING Group companies are as follows:

	2005 RUR '000	Average Interest Rate	2004 RUR '000	Average Interest Rate
Assets				
Placements with banks and other financial institutions	6 350	-	5 806	-
Foreign currency contracts (spots and forwards)	15	-	-	-
Other assets	7 514	-	-	-

Liabilities

Placements from banks and other financial institutions	566 657	4.92%	2 383	-
Customer accounts	20	-	949	-
Other liabilities	660	-	274	-

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

	2005 RUR '000	2004 RUR '000
Interest income	-	1 019
Interest expense	(5 614)	(2 827)
Fee and commission income	38 886	67 639
Net foreign exchange gain/(loss)	146 102	(46 492)
Other income	60 770	27 975

31 Cash and cash equivalents

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

	2005 RUR '000	2004 RUR '000
Cash	247 824	238 364
Due from Central Bank - nostro account	1 802 403	6 782 213
Nostro accounts with banks	6 368 539	537 192
	8 418 766	7 557 769

32 Fair value of financial instruments

The Group 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 Group believes that it is able to estimate fair value of financial assets and financial liabilities. The Group 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 unrelated willing parties on an arm's length basis. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

33 Average effective interest rates

The table below displays the Group's interest bearing assets and liabilities as at 31 December 2005 and 2004 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, except for subordinated loans which carry variable rates.

	2005		2004	
	Value RUR '000	Average Effective Interest Rate	Value RUR '000	Average Effective Interest Rate
Interest Bearing Assets				
<i>Due from Central Bank</i>	3 029 962	0.00%	8 061 599	0.00%
<i>Placements with banks and other financial institutions</i>				
<i>Nostro accounts</i>				
- RUR	149 990	0.25%	281 966	0.37%
- USD	5 194 300	3.09%	196 643	1.02%
- other currencies	1 024 249	0.05%	58 583	0.09%
<i>Loans and deposits</i>				
- RUR	1 278 963	5.65%	2 659 726	2.96%
- USD	3 405 403	4.09%	17 507	5.35%
- other currencies	-	-	595 700	2.12%
<i>Financial instruments at fair value through profit or loss</i>				
- RUR	3 617 409	8.30%	2 021 699	8.65%
<i>Loans to customers</i>				
- RUR	7 261 996	6.97%	5 150 892	6.05%
- USD	5 163 287	5.68%	4 199 434	4.42%
- other currencies	2 852 505	3.60%	636 187	3.48%

	2005		2004	
	Value RUR '000	Average Effective Interest Rate	Value RUR '000	Average Effective Interest Rate
Interest Bearing Liabilities				
<i>Deposits and balances from banks and other financial institutions</i>				
<i>Current accounts and demand deposits</i>				
- RUR	450 850	0.00%	3 741 908	0.00%
- USD	188 407	0.00%	178 481	0.00%
- other currencies	707	0.00%	31	0.00%
<i>Term deposits</i>				
- RUR	6 829 708	5.10%	900 240	2.48%
- USD	816 875	4.06%	4 809 043	2.33%
- other currencies	-	2.06%	54 835	2.01%
<i>Subordinated loans</i>				
- USD	768 676	5.61%	729 468	5.39%
- other currencies	689 977	6.51%	-	-
<i>Current accounts and deposits from customers</i>				
<i>Current accounts and demand deposits</i>				
- RUR	3 677 197	0.71%	3 987 751	0.11%
- USD	3 417 490	0.28%	2 151 887	0.07%
- other currencies	901 948	0.13%	803 538	0.00%
<i>Term deposits</i>				
- RUR	3 781 294	5.10%	911 783	1.82%
- USD	8 354 579	4.06%	2 909 608	2.24%
- other currencies	428 078	0.60%	221 539	1.97%
<i>Certificates of deposit and promissory notes</i>				
- EUR	17 087	1.75%	51 792	1.41%

Other currencies in the table above are primarily the Euro.

34 Maturity analysis

The following table shows the Group's assets and liabilities by remaining contractual maturity dates as at 31 December 2005. Except in relation to the subordinated loans which carry a variable rates, these remaining contractual maturity dates also represent the contractual interest rate repricing dates. Financial assets at fair value through profit or loss are stated at the final maturity of the instrument stipulated by the issuer. However, management of the Group believes, that such financial instruments can be realised within shorter periods of time.

ING Bank (Eurasia) ZAO
Notes to, and forming part of, the consolidated financial statements
for the year ended 31 December 2005

	Less than 1 month RUR '000	1 to 3 Months RUR '000	3 months to 1 year RUR '000	1 year to 5 years RUR '000	More than 5 years RUR '000	No stated maturity RUR '000	Total RUR '000
Assets							
Cash	247 824	-	-	-	-	-	247 824
Due from the Central Bank of the Russian Federation	1 808 071	8 874	342 057	-	-	870 960	3 029 962
Placements with banks and other financial institutions	10 405 559	490 781	1 022	155 543	-	-	11 052 905
Financial instruments at fair value through profit or loss	24 159	358 876	1 145 236	1 897 448	307 161	-	3 732 880
Loans to customers	7 201 528	3 124 462	2 430 682	2 284 939	236 177	-	15 277 788
Other assets	-	107 497	46 713	90 997	-	-	245 207
Property and equipment	-	-	-	-	-	138 391	138 391
Goodwill	-	-	-	-	-	125 125	125 125
Deferred tax asset	-	-	-	-	-	55 584	55 584
Total assets	<u>19 687 141</u>	<u>4 090 490</u>	<u>3 965 710</u>	<u>4 428 927</u>	<u>543 338</u>	<u>1 190 060</u>	<u>33 905 666</u>
Liabilities							
Financial liabilities at fair value through profit or loss	43 032	19 820	38 549	-	-	-	101 401
Deposits and balances from banks and other financial institutions	7 199 965	324 738	761 844	-	-	-	8 286 547
Subordinated loans	-	-	-	-	1 458 653	-	1 458 653
Current accounts and deposits from customers	19 788 152	42 530	350 948	378 956	-	-	20 560 586
Certificates of deposit and promissory notes	-	-	17 087	-	-	-	17 087
Other liabilities	29 427	170 590	29 913	7 450	-	-	237 380
Total liabilities	<u>27 060 576</u>	<u>557 678</u>	<u>1 198 341</u>	<u>386 406</u>	<u>1 458 653</u>	<u>-</u>	<u>30 661 654</u>
Net position as at 31 December 2005	<u>(7 373 435)</u>	<u>3 532 812</u>	<u>2 767 369</u>	<u>4 042 521</u>	<u>(915 315)</u>	<u>1 190 060</u>	<u>3 244 012</u>
Net position as at 31 December 2004	<u>(7 840 263)</u>	<u>(1 097 226)</u>	<u>9 757 733</u>	<u>1 920 586</u>	<u>(727 991)</u>	<u>686 911</u>	<u>2 699 750</u>

35 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2005.

	RUR	USD	Other currencies	Total
	RUR '000	RUR '000	RUR '000	RUR '000
Assets				
Cash	134 460	101 765	11 599	247 824
Due from the Central Bank of the Russian Federation	3 029 962	-	-	3 029 962
Placements with banks and other financial institutions	1 428 953	8 599 703	1 024 249	11 052 905
Financial instruments at fair value through profit or loss	3 732 880	-	-	3 732 880
Loans to customers	7 261 996	5 163 287	2 852 505	15 277 788
Other assets	142 277	102 066	864	245 207
Property and equipment	138 391	-	-	138 391
Goodwill	125 125	-	-	125 125
Deferred tax asset	55 584	-	-	55 584
Total assets	16 049 628	13 966 821	3 889 217	33 905 666
Liabilities				
Financial liabilities at fair value through profit or loss	101 401	-	-	101 401
Deposits and balances from banks and other financial institutions	7 280 558	1 005 282	707	8 286 547
Subordinated loans	-	768 676	689 977	1 458 653
Current accounts and deposits from customers	7 458 491	11 772 069	1 330 026	20 560 586
Certificates of deposit and promissory notes	-	-	17 087	17 087
Other liabilities	171 021	47 453	18 906	237 380
Total liabilities	15 011 471	13 593 480	2 056 703	30 661 654
Net on balance sheet position	1 038 157	373 341	1 832 514	3 244 012
Off balance sheet position	2 104 501	346 616	(2 451 117)	-
Net position as of 31 December 2005	3 142 658	719 957	(618 603)	3 244 012
Net position as of 31 December 2004	2 103 863	551 715	44 172	2 699 750

Other currencies in the table above are primarily the Euro.

36 Subsequent events

In February 2006 the Group sold its subsidiary – ING Leasing (Eurasia) to a related party – ING Lease Holding N.V. for USD 27 thousand.

Shareholders of the Group approved additional capital funding of the Group for the amounts receivable within one year: Euro 55 000 thousand as additional share capital contributions and second tier of subordinated loan for Euro 25 000 thousand.

37 Reconciliation between Russian accounting standards (“RAS”) and IFRS

This Note describes how the financial position and financial performance reported under RAS reconcile to the related financial indicators reported under IFRS.

	31 December 2005 RUR '000 Net Income	31 December 2005 RUR '000 Shareholders' equity
Russian accounting standards	580 119	3 224 098
Hyperinflation effect on property and equipment and difference in depreciation rates	28 301	(60 212)
Accrued interest income	93 458	191 126
Accrued interest expense	(42 972)	(82 156)
Provisions	(16 030)	(68 096)
Deferred tax	17 084	55 584
Tax accrual	(275 518)	17 990
Accrued expenses	(88 976)	(172 267)
Foreign exchange revaluation	4 816	(4 046)
Goodwill amortization	32 995	39 082
Fair value adjustment on financial instruments	214 392	9 945
Lease accounting	(599)	8 559
Accrued commission income	(2 628)	84 585
Consolidation effect	(180)	(180)
IFRS	544 262	3 244 012