

Joint-Stock Bank

“ING Bank Ukraine”

Financial statements
December 31, 2004

These financial statements contain 33 pages

Contents

Balance sheet	2
Income statement	3
Cash flow statement	4
Statement of changes in shareholders' equity	6
Notes to the financial statements	7
Independent auditors' report	

ING Bank Ukraine
Financial statements
Balance sheet as of December as of December 31, 2004

	<i>Note</i>	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>			
Assets			
Cash		6,463	2,337
Balances with the National Bank of Ukraine	4	445,055	125,208
Due from banks	5	71,244	131,656
Securities held-for-trading	6	65,271	34,786
Securities available-for-sale	7	69,213	29,974
Loans and advances to customers	8	923,510	849,838
Deferred tax asset	22	1,050	1,241
Property, equipment and intangible assets	9	5,817	2,773
Other assets	10	8,858	4,477
		<hr/>	<hr/>
Total assets		1,596,481	1,182,290
		<hr/>	<hr/>
Liabilities			
Due to banks	11	626,644	690,988
Customers' current accounts		184,402	136,487
Deposits from customers	12	312,023	166,227
Other liabilities	13	279,034	82,685
Subordinated liabilities	14	28,649	28,790
		<hr/>	<hr/>
Total liabilities		1,430,752	1,105,177
		<hr/>	<hr/>
Shareholders' equity			
Share capital	15	131,804	68,031
Revaluation reserve		66	-
Retained earnings		33,859	9,082
		<hr/>	<hr/>
Total shareholders' equity		165,729	77,113
		<hr/>	<hr/>
Total liabilities and shareholders' equity		1,596,481	1,182,290
		<hr/>	<hr/>
Off balance sheet commitments and contingent liabilities	16		

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 33.

ING Bank Ukraine
Financial statements
Income statement for the year ended December 31, 2004

	<i>Note</i>	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>			
Interest income	<i>17</i>	51,784	33,321
Interest expense	<i>18</i>	(20,557)	(12,666)
Net interest income		31,227	20,655
Fee and commission income		25,927	19,984
Fee and commission expense		(5,434)	(3,366)
Net fee and commission income	<i>19</i>	20,493	16,618
Gains less losses from dealing in foreign currencies		4,245	2,953
Gains less losses from securities available-for-sale and held-for-trading		2,381	3,307
Other income		389	627
Operating income		58,735	44,160
Salaries and employee benefits		(13,095)	(11,683)
General administrative expenses	<i>20</i>	(12,733)	(9,914)
Depreciation and amortization	<i>9</i>	(1,450)	(1,241)
Recovery of impairment losses (impairment losses)	<i>21</i>	2,207	(1,161)
Operating expenses		(25,071)	(23,999)
Profit before tax		33,664	20,161
Income tax expense	<i>22</i>	(8,887)	(6,728)
Net profit		24,777	13,433

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 33.

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Operating activities		
Interest received	48,879	31,166
Interest paid	(18,066)	(12,087)
Fees and commissions received	25,577	19,338
Fees and commissions paid	(5,434)	(3,366)
Net receipts from securities and foreign exchange	7,016	5,696
Operating expenses paid, net	(24,792)	(22,227)
	33,180	18,520
Changes in operating assets and liabilities		
Due from banks	32,685	(15,812)
Loans and advances to customers	(70,427)	(325,174)
Due to banks	(64,344)	328,313
Customers' current accounts and deposits from customers	193,711	26,066
Other assets and liabilities, net	191,426	75,764
	316,231	107,677
Net cash from operating activities before tax		
Income taxes paid	(9,465)	(8,770)
	306,766	98,907
Investing activities		
Acquisition of securities available-for-sale and held-for-trading, net	(69,658)	(17,082)
Acquisition of property, equipment and intangible assets	(4,526)	(1,686)
Proceeds from sale of property, equipment and intangible assets	32	10
	(74,152)	(18,758)
Cash flows used in investing activities		

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 33.

ING Bank Ukraine
Financial statements
Cash flow statement for the year ended December 31, 2004 (continued)

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Financing activities		
(Decrease) in subordinated liabilities	(141)	(5)
Proceeds from issuance of shares	63,773	-
	<hr/>	<hr/>
Cash flows (used in) from financing activities	63,632	(5)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	296,246	80,144
Cash and cash equivalents as of January 1	203,559	123,415
	<hr/>	<hr/>
Cash and cash equivalents as of December 31	499,805	203,559
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents		
Cash	6,463	2,337
Balances with the National Bank of Ukraine	445,055	125,208
Due from banks, current accounts	48,287	76,014
	<hr/>	<hr/>
	499,805	203,559
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The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 33.

ING Bank Ukraine
Financial statements
Statement of changes in shareholders' equity for the year ended December 31, 2004

	Share capital	Revaluation reserve	(Accumulated deficit) Retained earnings	Total
<i>(in thousands of Ukrainian hryvnias)</i>				
Balances as of December 31, 2002	68,031	1,191	(4,351)	64,871
Realized gain on sale of securities available-for-sale	-	(1,191)	-	(1,191)
Net profit	-	-	13,433	13,433
Balances as of December 31, 2003	68,031	-	9,082	77,113
Issue of shares	63,773	-	-	63,773
Gain on securities available-for-sale	-	66	-	66
Net profit	-	-	24,777	24,777
Balances as of December 31, 2004	131,804	66	33,859	165,729

The statement of changes in shareholders' equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 33.

1 Background

(a) Organization and operations

“ING Bank Ukraine” (“the Bank”) was created as a closed joint-stock company according to the Ukrainian legislation and was registered by the National Bank of Ukraine (“NBU”) on December 15, 1997. The Bank is a fully owned subsidiary of ING Bank N.V.

The Bank specializes in providing banking services to leading Ukrainian and foreign companies and banks. The Bank’s services include lending, trade finance, payments and cash, custody and other services. The Bank also opens accounts and offers fixed term liability products to legal entities.

Being a subsidiary of ING Bank N.V., the Bank performs a significant number of transactions with its parent company (see also note 26).

The head office of the Bank is located in Kiev, Ukraine. It has no branches. The average number of the Bank’s employees in the year 2004 was 76 (2003: 65 employees).

(b) Ukrainian business environment

Ukraine has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. These financial statements reflect management’s assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment. The impact of such differences on the operations and the financial position of the Bank may be significant.

The ability to assess the valuation of the Bank’s credit portfolio is also significantly influenced by the transition process and current economic conditions.

2 Basis of preparation

(a) Statement of compliance

The Bank maintains its accounting records in accordance with the legislative requirements of Ukraine and ING Group accounting regulations. These financial statements have been prepared from those accounting records and adjusted as necessary to comply with the requirements of International Financial Reporting Standards (“IFRS”), as promulgated by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

(b) Historical cost

The 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 are stated in amortized cost.

Property, equipment and intangible assets and share capital have been measured at cost adjusted to reflect the effect of the hyperinflationary conditions which existed in Ukraine from January 1, 1991 to January 1, 2001 in accordance with International Accounting Standards (“IAS”) 29, *Financial Reporting in Hyperinflationary Economies*.

(c) Measurement and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia. Consequently, the measurement and presentation currency for the purposes of these financial statements is the Ukrainian hryvnia (“UAH”).

(d) Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

(e) Use of estimates

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

3 Significant accounting policies

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

(a) Foreign currency translation

Transactions in foreign currencies are translated to hryvnias 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 hryvnias at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to hryvnias at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in the income statement.

The principal UAH exchange rates used in the preparation of the financial statements as of December 31 are as follows:

Currency	2004	2003
US dollar ("USD")	5.305	5.332
Russian rouble	0.191	0.181
EURO	7.217	6.662

As of the date of this report, March 14, 2005, the exchange rate is UAH 5.296 to USD 1.00.

(b) Financial instruments

(i) Classification

Trading instruments are those that the Bank principally holds for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

Originated loans and receivables are loans and receivables created by the Bank by providing money directly to a debtor, other than those that the Bank principally holds for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans as well as bonds purchased at original issuance.

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.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity.

(ii) Recognition

The Bank recognizes financial assets in its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

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

Subsequent to initial recognition all derivatives, trading instruments and all available-for-sale assets 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 amortized cost less impairment losses. Amortized 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 amortized 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 using a discount rate representing a market 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.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of securities held-for-trading and derivatives are recognized in the income statement.

Gains and losses arising from a change in the fair value of securities available-for-sale are recognized directly in equity. When the financial assets are sold, or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the income statement.

(vi) Interest-bearing liabilities

Interest-bearing liabilities are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the term of the liabilities.

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

(c) Impairment

The Bank's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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 amortization, if no impairment loss had been recognized.

(d) Originated loans and advances

The recoverable amount of originated loans and advances is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted. Balances are considered to be short-term when the contractual term of repayment is less than one year.

Loans and advances are presented net of provisions for uncollectibility. Provisions are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of underlying customers and late payments of interest or penalties. Increases in the provision account are recognized in the income statement. When a loan is known to be uncollectible, all necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

(e) Property, equipment and intangible assets

Property, equipment and intangible assets are carried at cost less accumulated depreciation and amortization and impairment losses. Depreciation and amortization is computed by the straight-line method over the estimated useful lives of the assets. Depreciation and amortization commences from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

Computers and related equipment	4 years
Furniture, fixtures and other equipment	4 years

Expenditures for leasehold improvements are recognized as assets and charged to the income statement on a straight-line basis over the period of the applicable lease.

(f) Leases

Payments for operating leases, where the Bank does not assume substantially all the risks and rewards of ownership, are classified as expenses when incurred.

(g) Off balance sheet commitments and contingent liabilities

The Bank enters into commitments and assumes contingent liabilities in the normal course of business to meet the financing needs of its customers. These commitments and contingencies include credit instruments, which represent varying degrees of risk exposure. The contractual or notional amount of these instruments indicates the potential level of activity associated with a particular class of financial instruments. Losses have been estimated and necessary provisions are included in the caption "Other liabilities".

(h) Income and expense recognition

Interest and similar income and expense are recognized in the income statement on an accrual basis, taking into account the effective yield of the asset/liability or an applicable floating rate. Interest and similar income and expense include the amortization 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.

Commission income and expense are recognized on an accrual basis when the services are provided.

(i) Taxation

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

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively 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 amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Employee benefits

The Bank pays into the Ukrainian state pension fund an amount based on each employee's wage, in accordance with Ukrainian legislation. These amounts are expensed when the related compensation expense is incurred.

(k) Cash flows statement

Cash and cash equivalents include cash in hand, balances with the National Bank of Ukraine ("NBU") and current accounts due from banks.

(l) 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4 Balances with the National Bank of Ukraine

The Bank is required by the NBU to maintain an obligatory reserve balance calculated as an average of certain attracted funds over a period of a month. The average obligatory reserve amounts to UAH 45,624 thousand for the thirty day period ended December 31, 2004 (2003: UAH 29,296 thousand). The Bank meets the NBU reserve requirements as of December 31, 2004 and 2003.

Balances with the National Bank of Ukraine include a short-term deposit amounting to UAH 119,372 thousand as of December 31, 2004 (2003: UAH 50,649 thousand).

5 Due from banks

Balances due from banks as of December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Current accounts		
ING Group	7,316	1,533
Domestic	623	13,742
OECD countries	40,348	60,739
	48,287	76,014
Loans and advances		
Domestic	22,957	55,642
	71,244	131,656
Total	71,244	131,656

A current account of UAH 36,321 thousand, representing 90% of current accounts due from banks in OECD countries is placed with one bank located in an OECD country as of December 31, 2004 and 2003 (2003: UAH 60,066 thousand, representing 99%).

A current account due from a domestic bank amounting to UAH 13,329 thousand is effectively secured by a current account in the same amount and currency due to the same bank as of December 31, 2003 (December 31, 2004: nil).

6 Securities held-for-trading

As of December 31, 2004 and 2003, securities held-for-trading represent interest bearing bonds issued by the Ukrainian government and Ukrainian industrial companies. These bonds trade on the local stock market.

As of December 31, 2004, the Bank entered into forward contracts with ING Bank N.V., Amsterdam for sale of bonds issued by the Ukrainian government amounting to UAH 61,178 thousand (2003: nil). Subsequent to December 31, 2004, the Bank sold bonds under these forward sale contracts for UAH 61,179 thousand. The fair value of the forward sale contracts approximates zero as of December 31, 2004.

As of December 31, 2003, a Ukrainian bank committed to purchase from the Bank interest bearing bonds with a book value of UAH 10,108 thousand for UAH 10,112 thousand.

7 Securities available-for-sale

As of December 31, 2004 and December 31, 2003, securities available-for-sale represent short-term bonds issued by the Ukrainian government.

As of December 31, 2003, the Bank pledged bonds amounting to UAH 25,091 thousand as collateral on its borrowings from the National Bank of Ukraine (2004: nil).

8 Loans and advances to customers

Loans and advances to customers as of December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Commercial loans and advances	820,044	820,129
Overdrafts	101,426	31,550
Consumer loans to customers including loans to employees	5,217	4,581
	926,687	856,260
Provision for impairment (see also note 21)	(3,177)	(6,422)
Total	923,510	849,838

Loans amounting to UAH 811,205 thousand are secured by guarantees issued by ING Group entities, which represent 88% of the gross loan portfolio as of December 31, 2004 (2003: UAH 786,775 thousand, representing 92%).

Loans and advances granted to the four largest borrowers amounting to UAH 494,594 thousand represent 53% of the gross loans to customers as of December 31, 2004 (2003: UAH 395,167 thousand, representing 46%).

No prolonged loans and advances to customers exist as of December 31, 2004 and December 31, 2003.

Loans and advances to customers by economic sector as of December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Food and beverages	336,750	315,912
Trade	120,431	236,797
Tobacco	268,715	220,724
Wood processing	60,843	38,166
Machinery	30,925	14,280
Chemical goods production	61,045	11,569
Production of mineral goods	21,858	4,957
Metallurgy	11,727	266
Mining	6,425	4,727
Other	7,968	8,862
	<hr/>	<hr/>
Total	926,687	856,260
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The Bank's lending activities are conducted in Ukraine. The ability of borrowers to repay their debt is dependent on a number of factors including the overall financial health of the borrower and the Ukrainian economy.

9 Property, equipment and intangible assets

A summary of activity in property, equipment and intangible assets is as follows:

	Leasehold improvements	Computers and related equipment	Furniture, fixtures and other equipment	Total
<i>(in thousands of Ukrainian hryvnias)</i>				
Cost				
As of January 1, 2004	2,443	5,366	7,669	15,478
Additions	595	1,050	2,881	4,526
Disposals	-	(69)	(94)	(163)
As of December 31, 2004	3,038	6,347	10,456	19,841
Accumulated depreciation and amortization				
As of January 1, 2004	2,214	4,018	6,473	12,705
Depreciation and amortization charge	108	727	615	1,450
Disposals	-	(69)	(62)	(131)
As of December 31, 2004	2,322	4,676	7,026	14,024
Net book value as of December 31, 2003	229	1,348	1,196	2,773
Net book value as of December 31, 2004	716	1,671	3,430	5,817

10 Other assets

Other assets as of December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Accrued interest receivable	6,499	3,594
Fees receivable	1,609	1,259
Other	1,559	63
	9,667	4,916
Provision for impairment (see also note 21)	(809)	(439)
Total	8,858	4,477

11 Due to banks

Balances due to banks as of December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Current accounts	-	13,329
Deposits		
ING Group	614,600	617,117
Domestic	12,044	60,542
Total	626,644	690,988

As of December 31, 2003 current accounts due to domestic banks are due to one bank (see also note 5).

Deposits due to domestic banks amounting to UAH 9,353 thousand serve as collateral for guarantees issued by the Bank as of December 31, 2004 (2003: UAH 8,892 thousand).

As of December 31, 2003, deposits due to domestic banks include UAH 25,000 thousand received from the National Bank of Ukraine (2004: nil). Bonds issued by the Ukrainian government amounting to UAH 25,091 thousand were pledged as collateral on these borrowings as of December 31, 2003 (see also note 7).

12 Deposits from customers

Deposits from customers as of December 31 are as follows:

	2004	2004
<i>(in thousands of Ukrainian hryvnias)</i>		
Companies	301,572	160,802
Individuals	10,451	5,425
	312,023	166,227
Total	312,023	166,227

Deposits from companies include UAH 24,596 thousand of cash collateral for loans issued by the Bank as of December 31, 2004 (2003: UAH 12,072 thousand).

Deposits amounting to UAH 223,380 thousand, or 72% of the total deposits from companies were placed with the Bank by its four largest customers as of December 31, 2004 (2003: UAH 94,126 thousand, representing 58%).

13 Other liabilities

Other liabilities as of December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Accounts payable for securities and related settlements	266,920	74,450
Accrued interest payable	4,101	1,610
Bonus accrued	2,800	1,764
Taxes payable	866	1,849
Provision for off-balance sheet commitments (see also note 21)	842	174
Other	3,505	2,838
	279,034	82,685
Total	279,034	82,685

As of December 31, 2004, accounts payable for securities and related settlements amounting to UAH 266,158 thousand relate to funds transferred to the Bank by ING Group banks and banks located in OECD countries to be used for the purchase of bonds issued by the Ukrainian government on behalf of these customers.

As of December 31, 2003, accounts payable for securities and related settlements include UAH 55,959 thousand received under an escrow agreement. In accordance with the agreement the Bank acts as an intermediary between the buyer and seller of securities.

As of December 31, 2003, accounts payable for securities and related settlements include interest on Ukrainian Eurobonds amounting to UAH 15,907 thousand that is payable to the Bank's customers.

14 Subordinated liabilities

In 2002, the Bank received a long-term subordinated loan of USD 5,400 thousand bearing a variable interest rate of LIBOR*1.021%. This subordinated loan matures in the year 2012. As of December 31, 2004 and 2003, subordinated loan amounting to UAH 28,649 thousand and UAH 28,790 thousand, respectively, qualifies for Tier II capital. The subordinated loan agreement does not contain any share conversion terms.

15 Share capital

The Bank's share capital as of December 31 is as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Nominal value	111,523	47,750
Inflationary adjustment	20,281	20,281
	<hr/>	<hr/>
Total	131,804	68,031
	<hr/> <hr/>	<hr/> <hr/>

In 2004, following the decision of the Annual shareholders' meeting, the Bank's share capital was increased to UAH 111,523 thousand.

The inflationary adjustment reflects the effect of hyperinflation, which existed in Ukraine from the date of share capital contribution until January 1, 2001.

The authorized share capital comprises 11,152,267,500 ordinary shares as of December 31, 2004 (2003: 4,774,987,500). All shares have a nominal value of UAH 0.01 as of December 31, 2004 and 2003.

On April 20, 2004 the Bank's former shareholders, being wholly owned subsidiaries of ING Bank N.V., concluded an agreement with ING Bank N.V. for the sale of their shares, according to which the latter became the only shareholder of the Bank.

All shares are ordinary and have equal voting, dividend and capital repayment rights. No dividends were declared in 2004 and 2003.

16 Off-balance sheet commitments and contingent liabilities

(a) Guarantees

The Bank issued guarantees to its clients amounting to UAH 45,359 thousand as of December 31, 2004 (2003: UAH 6,798 thousand). The probability of losses arising in connection with the guarantees is considered remote and, accordingly, no provision has been established. A major part of guarantees issued is either covered by deposits placed with the Bank or counter-guarantees from Ukrainian banks and ING Group entities.

(b) Commitments to extend credit

The amount of irrevocable commitments to extend credit is UAH 26,527 thousand as of December 31, 2004 (2003: UAH 19,000 thousand). The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(c) Tax contingency

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances are conflicting. Instances of inconsistent opinions between local, regional and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose significant penalties and interest charges. These facts create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems.

Management of the Bank believes it has complied with all existing tax legislation.

17 Interest income

Interest income for the year ended December 31 is as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Loans and advances to customers	37,075	25,507
Securities available-for-sale and held-for-trading	12,211	4,939
Due from banks	2,482	2,866
Other	16	9
Total	51,784	33,321

Interest income from securities available-for-sale and held-for-trading for the year ended December 31, 2003 include realized revaluations on disposal of securities available-for-sale amounting to UAH 1,191 thousand which were previously recognized as a component of shareholders' equity.

18 Interest expense

Interest expense for the year ended December 31 is as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Due to banks	10,650	8,162
Deposits from customers	7,627	3,702
Customers' current accounts	1,841	421
Other	439	381
Total	20,557	12,666

19 Net fee and commission income

Net fee and commission income for the year ended December 31 is as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Custody fees	6,272	5,984
Other fee and commission income	14,221	10,634
Total	20,493	16,618

Other fee and commission income includes commission from cash and settlement services, exchange of currencies and other.

20 General administrative expenses

General administrative expenses for the year ended December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Rental charges	3,651	2,383
Communication	3,342	2,827
Maintenance	2,041	1,473
Professional services	954	635
Taxes, duties and charges	557	369
Travel expenses	422	302
Marketing and advertising	37	71
Other	1,729	1,854
Total	12,733	9,914

21 Impairment losses (recovery of impairment losses)

The following is a schedule of movements in the provisions for impairment:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Balance as of January 1	7,035	5,874
(Decrease) increase in provision for impairment	(2,207)	1,161
Balance as of December 31	4,828	7,035

Provisions for impairment as of December 31 are as follows:

	2004	2004
<i>(in thousands of Ukrainian hryvnias)</i>		
Loans and advances to customers (see also note 8)	3,177	6,422
Other assets (see also note 10)	809	439
Off-balance sheet commitments (see also note 13)	842	174
Total	4,828	7,035

22 Income tax expense

The Bank's statutory income tax rate is 25% for 2004 (2003: 30%).

The components of income tax expense for the year ended December 31 are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Current tax expense	8,696	7,073
Deferred tax expense (benefit)	191	(345)
Total	8,887	6,728

The difference between the total expected income tax expense computed by applying the statutory income tax rate to profit before tax and the reported income tax expense is as follows:

	2004	%	2003	%
<i>(in thousands of Ukrainian hryvnias)</i>				
Profit before tax	33,664	100%	20,161	100%
Computed expected income tax expense at statutory rate	8,416	25%	6,048	30%
Non-deductible items	375	1%	463	2%
Change in provision for deferred tax asset	96	1%	(217)	(1%)
Effect of changes in tax rates	-	-	434	2%
Effective income tax expense	8,887	27%	6,728	33%

Deferred tax assets and liabilities of the Bank as of December 31 are attributable to the items detailed as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2004		2003	
	Asset	Liability	Asset	Liability
Provisions for impairment	1,396	-	1,608	(678)
Property, equipment and intangible assets	549	-	484	-
Securities available-for-sale	-	(91)	-	(190)
Other assets	-	(88)	-	(93)
Other liabilities	310	-	1,040	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,255	(179)	3,132	(961)
	<hr/>	<hr/>	<hr/>	<hr/>
Net asset (liability)	2,076	-	2,171	-
	<hr/>	<hr/>	<hr/>	<hr/>
Valuation provision	(1,026)	-	(930)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax asset	1,050	-	1,241	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23 Foreign currency positions

The Bank had the following foreign currency positions as of December 31:

	2004			2003		
	USD	EURO	SEK*	USD	EURO	SEK*
<i>(in thousands of Ukrainian hryvnias)</i>						
Assets						
Cash	4,242	319	-	360	468	-
Balances with the National Bank of Ukraine	119,372	-	-	50,649	-	-
Due from banks	45,741	5,268	3,395	116,804	212	3,523
Loans and advances to customers	547,206	199,077	60,843	671,125	19,578	38,166
Other assets	3,997	430	62	2,449	72	-
Total assets	720,558	205,094	64,300	841,387	20,330	41,689
Liabilities						
Due to banks	472,364	95,893	60,843	585,581	10,160	38,166
Customers' current accounts	43,850	10,744	2,818	38,675	9,730	-
Deposits from customers	15,876	2,373	-	92,887	540	-
Other liabilities	3,226	180	211	74,077	116	-
Subordinated liabilities	28,649	-	-	28,790	-	-
Total liabilities	563,965	109,190	63,872	820,010	20,546	38,166
Net long (short) position as of December 31	156,593	95,904	428	21,377	(216)	3,523

* - Swedish crowns

24 Interest rate analysis

(a) Average interest rates

The average effective interest rates of major interest bearing assets and liabilities as of December 31 are as follows:

	2004			2003		
	UAH	USD	EURO	UAH	USD	EURO
Assets						
Term deposit with the National Bank of Ukraine	-	1%	-	-	1%	-
Securities held for trading	13%	-	-	14%	-	-
Securities available-for-sale	12%	-	-	15%	-	-
Due from banks	6%	3%	2%	12%	2%	-
Loans and advances to customers	10%	3%	3%	18%	3%	4%
Liabilities						
Due to banks	-	2%	2%	12%	1%	2%
Deposits from customers	6%	2%	2%	8%	2%	2%
Subordinated liabilities	-	LIBOR	-	-	LIBOR	-
		*1.021%		-	*1.021%	-

(b) Gap analysis

The Bank's operations are subject to the risk of interest risk fluctuation to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in different amounts.

Substantially all monetary assets and liabilities of the Bank are short term or have floating interest rates.

25 Maturity analysis

The contractual remaining maturities of the Bank's assets and liabilities as of December 31, 2004 are as follows:

Description	Maturity periods					Total
	Within one month	From one to three months	From three months to one year	More than one year	No maturity	
<i>(in thousands of Ukrainian hryvnias)</i>						
Assets						
Cash	6,463	-	-	-	-	6,463
Balances with the National Bank of Ukraine	445,055	-	-	-	-	445,055
Due from banks	71,244	-	-	-	-	71,244
Securities held-for-trading	-	-	-	65,271	-	65,271
Securities available-for-sale	-	30,916	38,297	-	-	69,213
Loans and advances to customers	634,331	232,384	46,133	10,662	-	923,510
Deferred tax asset	-	-	-	1,050	-	1,050
Property, equipment and intangible assets	-	-	-	-	5,817	5,817
Other assets	4,978	2,910	927	43	-	8,858
Total assets	1,162,071	266,210	85,357	77,026	5,817	1,596,481
Liabilities						
Due to banks	442,726	128,051	55,867	-	-	626,644
Customers' current accounts	184,402	-	-	-	-	184,402
Deposits from customers	149,873	26,919	135,097	134	-	312,023
Other liabilities	275,422	403	2,415	794	-	279,034
Subordinated liabilities	-	-	-	28,649	-	28,649
Total liabilities	1,052,423	155,373	193,379	29,577	-	1,430,752
Liquidity gap for the period	109,648	110,837	(108,022)	47,449	5,817	165,729
Cumulative liquidity gap	109,648	220,485	112,463	159,912	165,729	-

The contractual remaining maturities of the Bank's assets and liabilities as of December 31, 2003 are as follows:

Description	Maturity periods					Total
	Within one month	From one to three months	From three months to one year	More than one year	No maturity	
<i>(in thousands of Ukrainian hryvnias)</i>						
Assets						
Cash	2,337	-	-	-	-	2,337
Balances with the National Bank of Ukraine	125,208	-	-	-	-	125,208
Due from banks	131,656	-	-	-	-	131,656
Securities held-for-trading	34,786	-	-	-	-	34,786
Securities available-for-sale	29,974	-	-	-	-	29,974
Loans and advances to customers	499,595	156,113	179,939	14,191	-	849,838
Deferred tax asset	-	-	-	-	1,241	1,241
Property, equipment and intangible assets	-	-	-	-	2,773	2,773
Other assets	3,834	498	33	71	41	4,477
Total assets	827,390	156,611	179,972	14,262	4,055	1,182,290
Liabilities						
Due to banks	356,817	150,823	183,348	-	-	690,988
Customers' current accounts	136,487	-	-	-	-	136,487
Deposits from customers	151,066	10,648	4,513	-	-	166,227
Other liabilities	82,685	-	-	-	-	82,685
Subordinated liabilities	-	-	-	28,790	-	28,790
Total liabilities	727,055	161,471	187,861	28,790	-	1,105,177
Liquidity gap for the period	100,335	(4,860)	(7,889)	(14,528)	4,055	77,113
Cumulative liquidity gap	100,335	95,475	87,586	73,058	77,113	-

Customers' current accounts are due on demand and have been reflected as such in both schedules above. However, management believes that demand on the majority of the accounts will occur much later.

26 Balances with related parties

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party when making financial and operational decisions. This definition of related party may be different from that under the Ukrainian legislation.

Banking transactions are entered into in the normal course of business with related parties, by virtue of common ownership, which are mainly branches and subsidiaries of ING Bank N.V. These transactions include settlements, loans, deposits, trade finance, securities and foreign currency transactions.

The interest rates on transactions with related parties may not reflect the interest rates that would result from similar transactions with non-related parties on the Ukrainian market.

The Bank's balances and transactions with related parties as of December 31 and for the year then ended are as follows:

	2004	2003
<i>(in thousands of Ukrainian hryvnias)</i>		
Balance sheet		
Due from banks	7,316	1,533
Due to banks	514,100	617,117
Other liabilities	101,668	1,759
Subordinated liabilities	28,649	28,790
Income statement		
Interest expense	9,066	6,568
Off-balance sheet		
Guarantees received	1,314,345	786,775

27 Estimation of fair value

The estimated fair values of financial assets and liabilities have been determined using market prices for actively traded financial assets and discounted cash flow and other appropriate valuation methodologies at year-end. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realization of the unrealized gains and losses can have an effect on fair value estimates and have not been considered.

The fair value of Balances with the NBU is estimated to be equal to its carrying value because of its short-term nature.

The fair values of Due from banks and Due to banks are assumed to be equal to their carrying values due to their short-term nature.

Securities available-for-sale and held-for-trading are carried at their fair value.

The fair value of Loans and advances to customers is assumed to be equal to its carrying value because for the majority of loans the Bank has the right, and has historically exercised the right, to change interest rates on fixed rate loans to reflect changes in market interest rates.

The fair values of Customers' current accounts and Deposits from customers are assumed to be equal to their carrying values due to their short-term nature and variable interest rates. The fair value of the Deposits from customers with a maturity of more than one year is assumed to be equal to its carrying value since the interest rates on these deposits approximate market rates at year-end.

The fair value of Subordinated liabilities is assumed to be equal to its carrying value because the interest rates on these liabilities approximate market rates at year-end.

28 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:

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counter party 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. To manage the credit risk, before granting a loan facility the Bank performs an assessment of counterparties' credit standing and, when appropriate, obtains collateral.

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

The maximum credit risk exposure is generally reflected in the carrying amounts of instruments in the balance sheet.

(b) 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. To manage interest rate risk, the Bank continually assesses market interest rates for different types of interest bearing assets and liabilities, and prices products accordingly.

(c) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, subordinated liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

(d) 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 establishes limits and continuously monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology.

29 Capital adequacy

The Bank's capital adequacy ratio calculated in accordance with the Basle Accord was 15% as of December 31, 2004 (2003: 10%).

Chairman of the Board
Alexander Pisaruk

Chief Accountant
Irina Gorlenko

March 14, 2005



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Independent auditors' report

To the shareholders and the Board of Management of
Joint-Stock Bank "ING Bank Ukraine"

We have audited the accompanying balance sheet of Joint-Stock Bank "ING Bank Ukraine" (the "Bank") as of December 31, 2004 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2004, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

CJSC KPMG Audit
March 14, 2005

Anna Parkhomenko
Certified auditor
Certificate: 00810