ING BANK (EURASIA) ZAO
Financial Statements

Year ended 31 December 2009
Together with Independent Auditors' Report

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Independent Auditors' Report

To the Shareholders and Board of Directors of ING Bank (Eurasia) ZAO –

We have audited the accompanying financial statements of ING Bank (Eurasia) ZAO, which comprise the statement of financial position as of 31 December 2009, and the statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ING Bank (Eurasia) ZAO as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CJSC Ernst & Young Vneshaudit

21 May 2010

STATEMENT OF FINANCIAL POSITION

As of 31 December 2009

(Thousands of Russian Rubles)

	Notes	*2009*	*2008*
Assets			
Cash and cash equivalents	5	2,549,574	32,781,052
Trading securities	6	15,162,750	8,557,505
Trading securities pledged under repurchase agreements	6	-	4,316,173
Amounts due from credit institutions	7	40,326,330	52,049,329
Derivative financial assets	8	6,164,959	24,212,026
Loans to customers	9	25,992,751	41,357,490
Available-for-sale securities	10	3,979	2,454
Property and equipment and intangible assets	11	116,862	157,620
Goodwill	12	125,125	125,125
Deferred income tax assets	13	-	412,160
Other assets	14	1,067,713	388,949
Total assets		**91,510,043**	**164,359,883**
Liabilities			
Amounts due to Central Bank	15	2,070,942	16,735,820
Amounts due to credit institutions	16	30,332,604	56,451,865
Derivative financial liabilities	8	4,011,350	23,845,064
Amounts due to customers	17	27,972,513	45,295,599
Subordinated loans	18	1,686,492	2,509,447
Other provisions	19	4,091	12,078
Deferred income tax liabilities	13	643,585	-
Other liabilities	14	460,900	1,233,061
Total liabilities		**67,182,477**	**146,082,934**
Equity	20		
Share capital		3,749,745	3,749,745
Additional paid-in capital		10,359,304	10,359,304
Retained earnings		10,218,517	4,167,900
Total equity		**24,327,566**	**18,276,949**
Total equity and liabilities		**91,510,043**	**164,359,883**

Signed and authorised for release on behalf of the Management Board of the Bank

General Director Alexander Pisaruk

Chief Financial Officer Katerina Sapozhnikova

21 May 2010

The accompanying notes on pages 5 to 46 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

(Thousands of Russian Rubles)

	Notes	*2009*	*2008*
Interest income			
Loans to customers		3,357,112	2,188,091
Amounts due from credit institutions		3,456,152	3,410,998
		6,813,264	5,599,089
Trading securities		1,935,122	1,411,264
		8,748,386	**7,010,353**
Interest expense			
Amounts due to Central Bank		(872,829)	(80,107)
Amounts due to credit institutions		(1,735,268)	(2,108,161)
Interest expense on trading derivatives		(180,618)	(52,018)
Amounts due to customers		(944,677)	(1,579,143)
Subordinated loans		(225,953)	(221,996)
Other		-	(175)
		(3,959,345)	**(4,041,600)**
Net interest income		**4,789,041**	**2,968,753**
Allowance for loan impairment	7, 9	(476,847)	(1,380,067)
Net interest income after allowance for loan impairment		**4,312,194**	**1,588,686**
Net fee and commission income	22	865,861	1,150,282
Net gains/(losses) from trading securities		1,336,725	(1,448,229)
Net gains from foreign currencies:			
- dealing		2,766,165	1,966,155
- translation differences		118,726	361,111
Other income	23	10,814	82,673
Non-interest income		**5,098,291**	**2,111,992**
Personnel expenses	24	(953,385)	(973,761)
Depreciation and amortisation	11	(63,117)	(51,235)
Other operating expenses	24	(694,205)	(671,482)
Other impairment and provisions	19	(94,017)	(10,508)
Non-interest expense		**(1,804,724)**	**(1,706,986)**
Profit before income tax expense		**7,605,761**	**1,993,692**
Income tax expense	13	(1,560,967)	(597,079)
Profit for the year		**6,044,794**	**1,396,613**
Total comprehensive income for the year		**6,044,794**	**1,396,613**

The accompanying notes on pages 5 to 46 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

(Thousands of Russian Rubles)

	Attributable to shareholders of the Bank			
	Share capital	***Additional paid-in capital***	***Retained earnings***	***Total***
31 December 2007	**2,024,745**	**2,788,125**	**2,743,073**	**7,555,943**
ING Group employee option and share plans	-	-	28,214	28,214
Total comprehensive income for the year	-	-	1,396,613	1,396,613
Issue of share capital (Note 20)	1,725,000	2,588,136	-	4,313,136
Capital injections	-	4,983,043	-	4,983,043
31 December 2008	**3,749,745**	**10,359,304**	**4,167,900**	**18,276,949**
ING Group employee option and share plans	-	-	5,823	5,823
Total comprehensive income for the year	-	-	6,044,794	6,044,794
31 December 2009	**3,749,745**	**10,359,304**	**10,218,517**	**24,327,566**

The accompanying notes on pages 5 to 46 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

(Thousands of Russian Rubles)

	2009	*2008*
Cash flows from operating activities		
Interest receipts	9,024,657	6,644,800
Fee and commission receipts	1,202,438	1,689,824
Interest payments	(4,671,755)	(3,333,108)
Fee and commission payments	(320,508)	(542,765)
Net receipts from financial assets at fair value through profit or loss and foreign exchange	1,206,091	(1,330,111)
Other income	10,830	80,169
General and administrative expenses	(1,400,075)	(1,418,760)
Cash flows from operating activities before changes in operating assets and liabilities	**5,051,678**	**1,790,049**
Net (increase)/decrease in operating assets		
Trading securities	(2,110,833)	(898,742)
Amounts due from credit institutions	9,094,179	(24,226,940)
Loans to customers	13,279,137	(3,436,220)
Other assets	(83,798)	69,227
Net increase /(decrease) in operating liabilities		
Amounts due to Central Bank	(14,628,781)	14,690,455
Amounts due to credit institutions	(23,235,558)	19,786,839
Amounts due to customers	(15,314,502)	10,484,654
Other liabilities	(54,009)	(204,429)
Net cash flows (used in)/ provided by operating activities before income tax	**(28,002,487)**	**18,054,893**
Income tax paid	(2,093,861)	37,942
Net cash (used in)/provided by operating activities	**(30,096,348)**	**18,092,835**
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(26,166)	(116,369)
Purchase of available-for-sale securities	(1,452)	-
Net cash used in investing activities	**(27,618)**	**(116,369)**
Cash flows from financing activities		
Proceeds from issue of share capital	-	4,313,136
Proceeds from capital injections	-	4,983,043
Subordinated loans repaid	(602,728)	-
Net cash (used in)/ provided by financing activities	**(602,728)**	**9,296,179**
Effect of exchange rates changes on cash and cash equivalents	495,216	2,023,712
Net (decrease)/increase in cash and cash equivalents	**(30,231,478)**	**29,296,357**
Cash and cash equivalents, beginning	32,781,052	3,484,695
Cash and cash equivalents, ending	**2,549,574**	**32,781,052**

The accompanying notes on pages 5 to 46 are an integral part of these financial statements.

(Thousands of Russian Rubles)

1. Principal activities

ING Bank (Eurasia) ZAO (the "Bank") was established in the Russian Federation as a joint-stock company 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").

The Bank is part of the ING Group, an international financial group headquartered in Amsterdam and operating in over 50 countries.

The registered address of the Bank's head office is 36, Krasnoproletarskaya 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 Bank during the period was 368 (2008 - 372).

Starting December 2004 the Bank is a member of the deposit insurance system. The system operates under the Federal laws and regulations and is governed by State Corporation "Agency for Deposits Insurance". Insurance covers the Bank's liability to individual depositors up to RUB 700 thousand for each individual in case of business failure and revocation of the CBR banking license.

As of 31 December, the following shareholders owned 100% of the outstanding shares.

Shareholder	***2009*** *%*	***2008*** *%*
ING Bank N.V.	99.9902	99.9902
Van Zwamen Holding B.V.	0.0098	0.0098
Total	**100.0000**	**100.0000**

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/from the ING Group is undertaken in conjunction with other ING Group companies. Related party transactions are detailed in Note 29.

Board of Directors as of 31 December 2009:

R. Boekhout
M. Baltussen
R. Nieland
M. E. Bitu
A. Lysenko

Board of Management as of 31 December 2009:
A. Pisaruk
M. Chaikin
T. Savina
K. Sapozhnikova
N. Londarenko

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Russian Rubles in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These financial statements are based on the Bank's RAL books and records, as adjusted and reclassified in order to comply with IFRS.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, trading and available-for-sale securities, derivative financial instruments have been measured at fair value.

These financial statements are presented in thousands of Russian Rubles ("RUB") unless otherwise indicated.

(Thousands of Russian Rubles)

3. Summary of accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS and new IFRIC Interpretations during the year. The principal effects of these changes are as follows:

Improvements to IFRS
In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. Amendments included in May 2008 "Improvements to IFRS" did not have any impact on the accounting policies, financial position or performance of the Bank, except for the amendment to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", as described below.

IAS 20 has been amended to require that loans received from the government that have a below-market rate of interest be recognised and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognised in the statement of financial position. This benefit is accounted for in accordance with IAS 20. The amendment is applied prospectively to government loans received on or after 1 January 2009.

IAS 1 "Presentation of Financial Statements" (Revised)
A revised IAS 1 was issued in September 2007, and became effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Bank has elected to present comprehensive income in one single statement: statement of comprehensive income. The Bank has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement, or retrospectively reclassified items in the financial statements.

IFRS 7 "Financial Instruments: Disclosures"
The amendments to IFRS 7 were issued in March 2009, to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information has not been provided as permitted by the transition provisions of the amendment.

IAS 23 "Borrowing Costs" (Revised)
A revised IAS 23 Borrowing costs was issued in March 2007, and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Bank adopted this as a prospective change. No changes were made for borrowing costs incurred to 1 January 2009 that have been expensed.

IAS 24 "Related party disclosures" (Revised)
The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Bank has decided to early adopt the revised IAS 24 from 1 January 2009.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation
These amendments were issued in February 2008, and became effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. These amendments did not have any impact on the Bank.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations
Amendment to IFRS 2 was issued in January 2008 and became effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. For details on employee option and share plans see the same note, Share based payments.

IFRS 8 "Operating Segments"
IFRS 8 became effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Bank's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Adoption of this Standard did not have any impact on the financial position or performance of the Bank.

IFRIC 13 "Customer Loyalty Programmes"
IFRIC Interpretation 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation did not have any impact on the Bank's financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"
IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. This interpretation did not have any impact on the Bank's financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation did not have any impact on the Bank's financial statements.

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"
The amendments require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. The amendments are applicable for annual periods ending on or after 30 June 2009. The application of the amendment did not have a significant impact on the Bank's financial statements as no reclassifications were made for instruments that contained embedded derivatives.

IFRIC 18 Transfers of Assets from Customers
IFRIC 18 was issued in January 2009 and became effective for transfers of assets from customers received on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively. IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. This interpretation did not have any impact on the financial position or performance of the Bank as the Bank has no transfers of assets from its customers.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities

Initial recognition

Financial assets and liabilities are classified in accordance with IAS 39. When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets and liabilities upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

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 amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised 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 value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for 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.

Date of recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions on the instrument. All regular way purchases of financial assets are accounted for on the trade date, i.e. the date that the Bank commits to purchase the asset.

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss within the statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

Financial assets/liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading and financial instruments designated at fair value through profit or loss at initial recognition.

A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling in the near term or it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking, or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and liabilities designated at fair value through profit or loss are not reclassified subsequent to initial recognition.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

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

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 Bank intends to sell immediately or in the near term, those that the Bank upon initial recognition designates as at fair value through profit or loss, those that the Bank upon initial recognition designates as available-for-sale, or those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

Available-for-sale financial assets

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss. Management determines the appropriate classification of financial instruments at the time of the initial recognition.

Determination of fair value

The fair value of financial instruments is based on their quoted market price at the reporting 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 reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

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

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to materially incorrect or misused models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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 to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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 recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the statement of comprehensive income; and
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income through the statement of comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised. Interest in relation to an available-for-sale financial asset is recognised as earned in the statement of comprehensive income calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the statement of comprehensive income when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to the loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to the loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR excluding obligatory reserves and current accounts with other credit institutions.

Repurchase and reverse repurchase agreements and securities lending

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

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

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of comprehensive income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of comprehensive income as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies dealing, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the statement of comprehensive income.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Promissory notes

Promissory notes purchased are included in trading securities, or in amounts due from credit institutions or in loans to customers, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments. Such instruments include amounts due to Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for 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.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables ("loans and receivables"). The Bank 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 Bank 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 Bank 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 is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the statement of comprehensive income 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.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

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 recognised in the statement of comprehensive income and can not be reversed.

Impairment of 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 recognised in the statement of comprehensive income 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.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

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

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

Financial guarantee liabilities are included within other liabilities.

Taxation

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

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

Deferred tax is provided using the 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 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 reporting 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.

Property and equipment

Property and equipment is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met. The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is charged to profit or loss within the statement of comprehensive income 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:

	Years
Office machines & equipment	5 years
Data processing equipment	3 years
Motor vehicles	5 years

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

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.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Other Intangible assets consist of computer software. Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss within the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives are as follows:

	Years
Computer software	3 years

Provisions

A provision is recognised in the statement of financial position when the Bank has a present 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.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

Share-based payments

ING Group employee option and share plans represent long term incentive plans for key employees. For ING Bank (Eurazia) ZAO the participants are granted awards consisting of Phantom Share Options (the "option") which gives an opportunity to receive a cash benefit instead of plan shares. When participants exercise their options, the cash benefit will be linked to the performance of ING Groep N.V. shares. The gain will be the difference between the market value of the shares on the date the exercise is processed and the strike price.

After a specific period of time – known as a vesting period – participants can exercise their options (or a portion of them), subject to the plan rules and compliance restrictions. The options can be exercised after the third anniversary of the grant date, but will lapse on the tenth anniversary. All of the following conditions must be met before participants can exercise their share options:

- Options must be fully vested,
- Participants must not be subject to any compliance restrictions, and
- Participants must either be a current employee of an ING Group company or an ex-employee who left under circumstances that allowed him/her to keep his/her options.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital (share premium).

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred and recognised as an adjustment to the effective interest rate on the loan.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

Foreign currency translation

The financial statements are presented in Russian Rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBR exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBR exchange rates at 31 December 2009 and 31 December 2008 were 30.2442 Rubles and 29.3804 Rubles to 1 USD, respectively and 43.3883 Rubles and 41.4411 Rubles to 1 EUR, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items
The amendment to IAS 39 was issued in August 2008, and became effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. Management does not expect the amendment to IAS 39 to affect the Bank's financial statements as the Bank has not entered into any such hedges.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)
The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards must be applied prospectively and will affect only future acquisitions and transactions with minority interests.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
The amendment to IFRS 2 was issued in June 2009 and became effective for financial years beginning on or after 1 January 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The Bank expects that this amendment will have no impact on the Bank's financial statements.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

IFRIC 17 "Distribution of Non-Cash Assets to Owners"
IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

Improvements to IFRSs
In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" will have no impact on the accounting policies, financial position or performance of the Bank, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The Bank expects that this amendment will have no impact on the Bank's financial statements.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment will have no impact on the Bank as the annual impairment test is performed before aggregation.

Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"
In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The Bank expects that this amendment will have no impact on the Bank's financial statements.

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "*Improvements to IFRS*" will have impact on the accounting policies, financial position or performance of the Bank, as described below.

- IFRS 3 *Business combinations*: limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. As the amendment should be applied from the date the Bank applies IFRS 3 Revised, it may be required to restate for effects incurred under IFRS 3 Revised, but before the adoption of this amendment. The Bank expects that other amendments to IFRS 3 will have no impact on financial statements of the Bank
- IFRS 7 *Financial instruments*: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements are expected to have minor impact as information is expected to be readily available.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

- IAS 34 *Interim Financial Reporting*: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Additional disclosures required will be introduced in interim financial statements of the Bank.
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Bank.

IFRS 9 "Financial Instruments"
In November 2009 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. Entities may adopt the first phase for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. The Bank now evaluates the impact of the adoption of new Standard and considers the initial application date.

4. Significant accounting judgements and estimates

Judgments

In the process of applying the Bank's accounting policies, management can make judgments, apart from those involving estimates. In 2009 and 2008 management did not make any substantial judgments that could have a significant effect on the amounts recognised in the financial statements:

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

Impairment of goodwill

The Bank determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Bank to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details are provided in Note 12.

(Thousands of Russian Rubles)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2009	*2008*
Cash on hand	363,993	353,158
Current accounts with the Central Bank	1,452,323	28,961,329
Current accounts with other credit institutions	733,258	3,466,565
Cash and cash equivalents	**2,549,574**	**32,781,052**

As of 31 December 2009 current accounts with other credit institutions included RUB 77,553 thousand placed with ING Group entities (2008 – RUB 96,453 thousand) (see Note 29).

6. Trading securities

Trading securities owned comprise:

	2009	*2008*
Government bonds	7,622,507	1,816,729
Corporate bonds	7,296,038	6,654,956
Municipal bonds	244,205	85,820
Trading securities	**15,162,750**	**8,557,505**
Trading securities pledged under repurchase agreements	**-**	**4,316,173**

The Bank did not make any reclassification with regard to trading securities.

As of 31 December 2009 government bonds with market value of RUB 2,375,816 thousand (2008 – nil) were pledged under the loans received from the CBR (see Note 15).

As of 31 December 2009 there were no trading securities pledged under repurchase agreements (2008 – RUB 4,316,173 thousand represented by corporate bonds). All repurchase deals opened as of 31 December 2008 were short term (less 1 month) and were concluded under repurchase agreements with the CBR (see Note 15).

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2009	*2008*
Time deposits and loans placed with credit institutions	39,714,497	47,747,873
Obligatory reserve with the Central Bank	750,258	176,848
Deferred settlements on securities	-	4,129,289
Gross amounts due from credit institutions	**40,464,755**	**52,054,010**
Less – Allowance for impairment	(138,425)	(4,681)
Amounts due from credit institutions	**40,326,330**	**52,049,329**

As of 31 December 2009 87% of total Amounts due from credit institutions or RUB 35,060,535 thousand was placed as deposits and loans with ING Group entities (2008 – 82% or RUB 42,692,293 thousand). No allowance was created against the funds placed with ING Group entities (2008 – nil) (see Note 29).

Credit institutions are required to maintain a non-interest earning obligatory reserve with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by statutory legislation.

As of 31 December 2008 deferred settlements on securities comprised receivables on several sales of securities (Russian Eurobonds), including securities pledged under repurchase agreements through Euroclear that were settled at the beginning of January 2009.

(Thousands of Russian Rubles)

7. Amounts due from credit institutions (continued)

Allowance for impairment of amounts due from credit institutions

As of 31 December 2009 the loan of RUB 204,602 thousand issued to one non-resident bank was individually determined to be impaired and an allowance of RUB 135,070 thousand was created against this loan (2008 – loan outstanding amount of RUB 220,573 thousand and zero amount of an allowance).

Other loans and term deposits were collectively assessed for impairment and an allowance of RUB 3,355 thousand was created against these assets (2008 – RUB 4,681 thousand).

The movements in allowance for impairment of amounts due from credit institutions were as follows:

	2009	*2008*
1 January	4,681	13,063
Net charge/ (recovery) for the year	133,744	(8,382)
31 December	**138,425**	**4,681**

8. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of the credit risk.

	2009			*2008*		
	Notional amount	***Fair values***		***Notional amount***	***Fair value***	
		Asset	***Liability***		***Asset***	***Liability***
Interest rate contracts						
Swaps	-	-	-	1,600,000	41,434	103,778
Foreign exchange contracts						
Forwards	202,930,595	5,750,600	3,853,684	292,241,164	23,267,086	23,556,453
Swaps	3,629,304	375,287	58,201	3,525,648	761,015	55,877
Spot	28,814,331	39,072	99,465	19,097,627	142,491	128,956
Total derivative assets/liabilities		**6,164,959**	**4,011,350**		**24,212,026**	**23,845,064**

As of 31 December 2009 derivative financial assets and liabilities with related parties of ING Group comprised RUB 5,793,331 thousand and RUB 3,369,755 thousand, respectively (2008 – RUB 20,756,505 thousand and RUB 21,545,366 thousand) (see Note 29).

Other derivative transactions were concluded with corporate clients, Russian and foreign credit institutions.

As of 31 December 2009 and 2008 the Bank had positions in the following types of derivatives:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

(Thousands of Russian Rubles)

8. Derivative financial instruments (continued)

Derivative financial instruments held or issued for trading purposes

Most of the Bank's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices or rates on indices. Included under this heading are derivatives which do not meet IAS 39 hedging requirements.

9. Loans to customers

Loans to customers comprise:

	2009	*2008*
Commercial loans	27,735,391	42,741,256
Loans to individuals	52,989	68,760
Gross loans to customers	**27,788,380**	**42,810,016**
Less – Allowance for impairment	(1,795,629)	(1,452,526)
Loans to customers	**25,992,751**	**41,357,490**

As of 31 December 2009 and 2008, loans to individuals are mainly represented by loans issued to the Bank's employees. As of 31 December 2009 and 2008 zero allowance was created against these loans.

A reconciliation of the allowance for impairment of loans to customers (commercial loans) is as follows:

	2009	*2008*
At 1 January	1,452,526	64,076
Net charge for the period	343,103	1,388,450
At 31 December	**1,795,629**	**1,452,526**

Individually impaired loans

As of 31 December 2009 the Bank had three individually impaired loans with the gross amount of RUB 4,492,976 thousand and allowance for impairment of RUB 1,749,113 thousand (2008 – one loan with gross amount of RUB 1,028,314 thousand and allowance for impairment of RUB 1,028,314 thousand). In 2010, two individually impaired loans were repaid (see Note 32). The remaining individually impaired loan of USD 35,000 thousand was granted to OAO Marta and was fully provisioned as of the reporting date. At present moment the case is being considered by an arbitration court and the decision will be taken and declared to the parties by the court on 1 June 2010.

Interest income accrued on loans, for which individual impairment allowances have been recognised, for the year ended 31 December 2009 comprised RUB 128,856 thousand (2008 - nil).

Concentration of loans to customers

As of 31 December 2009 the Bank had balances with three external borrowers whose balance exceeded 10% of gross loans to customers (2008 – nil). The total gross balance of those borrowers comprised RUB 9,587,897 thousand. An allowance of RUB 8,434 thousand was recognised against these loans.

(Thousands of Russian Rubles)

9. Loans to customers (continued)

Loans are made principally within Russia in the following industry sectors:

	2009	*2008*
Retail customers	52,989	68,760
Commercial customers		
Trade	8,403,073	6,521,861
Power	5,390,558	9,039,253
Manufacturing	4,984,978	4,637,745
Chemical	3,509,570	3,111,415
Mining/metallurgy	1,770,428	7,062,899
Food and tobacco production	1,543,917	5,852,524
Telecommunications	1,500,864	3,157,059
Finance	547,232	810,079
Oil and petroleum production	-	1,477,449
Other	84,771	1,070,972
Gross loans to customers	**27,788,380**	**42,810,016**
Allowance for impairment	(1,795,629)	(1,452,526)
Loans to customers	**25,992,751**	**41,357,490**

Analysis of collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Additionally, on a case by case basis the Bank obtains suretyships from parent companies for loans to their subsidiaries as well as guarantees issued by reputable banks, including from ING Group. Management monitors the market value of collateral obtained in regular intervals and also during its review of the adequacy of the allowance for loan impairment.

The following table provides an analysis of the commercial loan portfolio including loans to individuals, net of impairment, by type of collateral as of 31 December 2009 and 2008:

	2009	*% of loan portfolio*	*2008*	*% of loan portfolio*
Guarantees received	18,899,157	73%	22,524,360	54%
Equipment	227,396	1%	-	-
No collateral	6,866,198	26%	18,833,130	46%
Total	**25,992,751**	**100%**	**41,357,490**	**100%**

The amounts shown in the table above represent the carrying value of the loans and do not necessarily represent the fair value of the collateral. The fair value of the collateral is taken into account in determining the allowance for loan impairment. As of 31 December 2009 there were no collateral under the individually impaired loans (2008 – nil).

As of 31 December 2009 the loans of RUB 10,140,186 thousand were issued under guarantees from the parent (2008 – RUB 20,596,297 thousand) (see Note 29).

During the year ended 31 December 2009 and 2008 the Bank did not take possession of any assets accepted as collateral.

No collateral was sold or repledged in 2009 and 2008.

10. Available-for-sale securities

As of 31 December 2009 available-for-sale securities comprised corporate shares in amount of RUB 3,979 thousand (2008 – 2,454 thousand).

(Thousands of Russian Rubles)

11. Property and equipment and intangible assets

The movements in property and equipment and intangible assets were as follows:

	Office Machines & Equipment	*Data Processing Equipment*	*Motor Vehicles*	*Intangible assets - Computer Software*	*Total*
Cost					
31 December 2008	239,292	114,804	38,384	111,288	503,768
Additions	3,379	16,779	-	6,008	26,166
Disposals	(200)	(18,917)	(1,046)	(412)	(20,575)
31 December 2009	**242,471**	**112,666**	**37,338**	**116,884**	**509,359**
Accumulated depreciation					
31 December 2008	173,414	62,635	11,338	98,761	346,148
Depreciation and amortisation charge	19,391	31,856	7,501	4,369	63,117
Disposals	(200)	(15,446)	(710)	(412)	(16,768)
31 December 2009	**192,605**	**79,045**	**18,129**	**102,718**	**392,497**
Net book value:					
31 December 2008	**65,878**	**52,169**	**27,046**	**12,527**	**157,620**
31 December 2009	**49,866**	**33,621**	**19,209**	**14,166**	**116,862**

	Office Machines & Equipment	*Data Processing Equipment*	*Motor Vehicles*	*Intangible assets - Computer Software*	*Total*
Cost					
31 December 2007	189,608	101,061	25,486	98,196	414,351
Additions	65,030	22,618	15,630	13,092	116,370
Disposals	(15,346)	(8,875)	(2,732)	-	(26,953)
31 December 2008	**239,292**	**114,804**	**38,384**	**111,288**	**503,768**
Accumulated depreciation					
31 December 2007	162,214	44,417	6,755	98,190	311,576
Depreciation and amortisation charge	26,447	18,436	5,781	571	51,235
Disposals	(15,247)	(218)	(1,198)	-	(16,663)
31 December 2008	**173,414**	**62,635**	**11,338**	**98,761**	**346,148**
Net book value:					
31 December 2007	**27,394**	**56,644**	**18,731**	**6**	**102,775**
31 December 2008	**65,878**	**52,169**	**27,046**	**12,527**	**157,620**

(Thousands of Russian Rubles)

12. Goodwill

ING Bank (Eurasia) ZAO purchased the Securities Services (Custody) business of Credit Swiss First Boston in 2002. As the result of the acquisition, the Bank's Securities Services business increased by 50%.

As result of the acquisition, goodwill in amount of RUB 125,125 thousand was recognised in the Bank's statement of financial position. In accordance with IFRS 36 "Impairment of Assets", goodwill is tested for impairment annually and no impairment loss was identified as of 31 December 2009 or 2008.

The recoverable amount of the Custody Business unit has been determined based on a value in use calculation, using cash flow projections based on forecasts approved by senior management covering a five-year period. Cash flow projections beyond the five-year period have been extrapolated assuming no growth.

The effective discount rate applied to cash flow projections takes into account the forecasted foreign currency exchange rates fluctuations, inflation and risk-free interest rates and, on average, equal to 15%.

The calculation of value in use for Custody Business unit is most sensitive to the following assumptions:

- Discount rates;
- Local inflation rates; and
- Projected currency exchange rates.

All assumptions are based on published industry research.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in key assumptions used to determine the recoverable amount of the Custody Business unit will not result in an impairment of goodwill.

13. Taxation

The corporate income tax expense comprises:

	2009	*2008*
Current tax charge	681,258	885,870
Adjustment in respect of current income tax of prior years	(176,036)	-
Deferred tax charge/(credit) – origination and reversal of temporary differences	1,055,745	(288,791)
Income tax expense	**1,560,967**	**597,079**

Russian legal entities must file individual tax declarations. The current tax rate for banks for profits other than on state securities was 20% for 2009 (2008 – 24%). The deferred tax rate for banks was 20% for 2009 and 2008 in accordance with regulatory changes in Russian tax legislation. The tax rate for interest income on state securities was 15% for Federal taxes.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2009	*2008*
Profit before tax	**7,605,761**	**1,993,692**
Statutory tax rate	20%	24%
Theoretical income tax expense at the statutory rate	**1,521,152**	**478,486**
Income on state securities taxed at different rates	(20,323)	(17,082)
Non-deductible expenditures	26,819	31,445
Effect of change in income tax rate	-	82,173
Income recognised for tax purposes only	33,319	22,057
Income tax expense	**1,560,967**	**597,079**

(Thousands of Russian Rubles)

13. Taxation (continued)

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	Assets		*Liabilities*		*Net*	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*
Trading securities (including securities pledged under repurchase agreements)	49,153	61,392	-	-	49,153	61,392
Amounts due from credit institutions	-	-	(4,109)	-	(4,109)	-
Derivative financial assets	-	-	(925,570)	(4,248,358)	(925,570)	(4,248,358)
Loans to customers	-	74,188	(444,269)	-	(444,269)	74,188
Property and equipment	-	-	(4,205)	(1,990)	(4,205)	(1,990)
Other assets	2,576	-	-	(18,699)	2,576	(18,699)
Goodwill	-	-	(25,025)	(25,025)	(25,025)	(25,025)
Amounts due to credit institutions	897	3,979	-	-	897	3,979
Derivative financial liabilities	701,300	4,565,517	-	-	701,300	4,565,517
Other liabilities	5,667	1,156	-	-	5,667	1,156
Net deferred tax assets/(liabilities)	**759,593**	**4,706,232**	**(1,403,178)**	**(4,294,072)**	**(643,585)**	**412,160**

14. Other assets and liabilities

Other assets comprise:

	2009	*2008*
Current income tax receivable	727,745	-
Corporate finance fees receivable	220,671	92,258
Custody fees receivable	100,620	172,290
Settlements with suppliers	46,845	68,996
VAT receivable	16,469	25,976
Settlements with VISA International and Europay International	1,870	514
Other	45,238	28,915
Gross other assets	**1,159,458**	**388,949**
Less – Allowance for impairment (see Note 19)	(91,745)	-
Other assets	**1,067,713**	**388,949**

As of 31 December 2009 the gross amount of corporate finance fees receivable due from ING Group entities comprised RUB 220,671 thousand (2008 – RUB 92,258 thousand). Allowance for impairment under this balance comprised RUB 91,745 thousand (2008 – nil) and represented the amount of receivable due from bad debtors of ING Group entities (see Note 29).

Other liabilities comprise:

	2009	*2008*
Employee compensation payable	208,563	202,774
Payables to suppliers	181,528	39,781
Other taxes payable	44,746	61,932
Current income tax payable	-	860,894
Other	26,063	67,680
Other liabilities	**460,900**	**1,233,061**

As of 31 December 2009 payables to suppliers included RUB 111,341 thousand due to ING Group entities for software maintenance and other services (2008 – 18,563 thousand) (see Note 29).

(Thousands of Russian Rubles)

15. Amounts due to Central Bank

Amounts due to Central Bank consist of the following:

	2009	*2008*
Loans received from the Central Bank	2,070,942	9,298,969
Amounts payable under repurchase agreements	-	7,436,851
Amounts due to Central Bank	**2,070,942**	**16,735,820**

With reference to amounts due to the CBR, all the obligations were met by the Bank according to terms of the contracts.

As of 31 December 2009 loan due to the CBR in the amount of RUB 2,070,942 thousand was secured by the government bonds with market value of RUB 2,375,816 thousand (2008 – nil) (see Note 6).

As of 31 December 2008 the Bank entered into repurchase agreements with the CBR in the amount of RUB 7,436,851 thousand. The Bank provided its corporate bonds in the amount of RUB 4,316,173 thousand under the above repurchase agreements. In addition, the Bank provided the collateral under the above repurchase agreements, Russian Eurobonds in amount of RUB 3,751,779 thousand, sold as of 31 December 2008 with the settlement date after the maturity date of the repurchase agreement (see Note 7).

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2009	*2008*
Current accounts	1,707,959	14,038,757
Time deposits and loans	28,624,645	42,413,108
Amounts due to credit institutions	**30,332,604**	**56,451,865**

As of 31 December 2009 the Bank had balances in amount of RUB 18,150,012 thousand with ING Group whose balance exceeded 10% of amounts due to credit institutions (2008 – RUB 25,593,705 thousand with ING Bank N.V. and RUB 12,133,024 thousand with Bank of New York).

With reference to amounts due to credit institutions, all the obligations were met by the Bank according to terms of the contracts.

17. Amounts due to customers

The amounts due to customers include the following:

	2009	*2008*
Current accounts	15,954,889	15,002,043
Time deposits	12,017,624	30,293,556
Amounts due to customers	**27,972,513**	**45,295,599**

Included in time deposits are deposits of individuals in the amount of RUB 340,432 thousand (2008 – RUB 1,478,645 thousand). In accordance with the Russian Civil Code, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

As of 31 December 2009 and 2008 the current accounts and time deposits due to customers which individually exceeded 10% of total current accounts and deposits from customers were as follows:

	2009	*2008*
Rosneft	3,802,271	-
TNK – BP	2,986,908	14,126,432
Total	**6,789,179**	**14,126,432**

With reference to amounts due to customers, all the obligations were met by the Bank according to terms of the contracts.

(Thousands of Russian Rubles)

18. Subordinated loans

	2009	*2008*
Subordinated loan from ING Bank N.V. with a nominal amount of USD 25,000 thousand maturing on 29 December 2017 at an interest rate of 12 month LIBOR + 6% (2008: 12 month LIBOR + 6%)	811,935	796,092
Subordinated loan from ING Bank N.V. with a nominal amount of EUR 20,000 thousand maturing on 23 November 2015 at an interest rate of 12 month EURIBOR + 6% (2008: 12 month EURIBOR + 6%)	874,557	837,720
Subordinated loan from ING Bank N.V. with a nominal amount of RUB 850,000 thousand maturing on 3 April 2017 at an interest rate of 3 month MOSPRIME +3% (2008: 3 month MOSPRIME +3%)	-	875,635
Subordinated loans	**1,686,492**	**2,509,447**

According to the terms of the agreements on the loans above, the creditor may not demand repayment before maturity. In case of bankruptcy of the borrower, liabilities under the loans are to be repaid after settlement of all other liabilities of the Bank.

19. Other impairment and provisions

The movements in allowance for impairment of other assets and other provisions were as follows:

	Other assets	*Legal claims*	*Credit related commitments*	*Total*
31 December 2007	**-**	**-**	**1,570**	**1,570**
Net charge for the period	-	10,259	249	10,508
31 December 2008	**-**	**10,259**	**1,819**	**12,078**
Net charge for the period	91,745	-	2,272	94,017
Amounts settled	-	(10,259)	-	(10,259)
31 December 2009	**91,745**	**-**	**4,091**	**95,836**

Allowance for impairment of other assets is deducted from the carrying amounts of the other assets. Provisions for claims and credit related commitments are recorded in liabilities.

In 2008 a custody client was unable to participate in a corporate action (SUEK-Kuzbass JSC buy back) related to one of its shareholders due to the Bank's negligence. Due to this failure, the client made a financial claim and therefore a provision was created for the full amount (RUB 10,259 thousand). The claim was settled in March 2009 (the full amount was paid in cash to the client).

20. Equity

Share capital and additional paid-in capital

Movements in shares outstanding, issued and fully paid were as follows:

	Number of shares	*Nominal amount*	*Inflation*	
	Ordinary	*Ordinary*	*adjustment*	*Total*
31 December 2007	**2,466,540**	**0.75**	**174,840**	**2,024,745**
Increase in share capital	2,300,000	0.75	-	1,725,000
31 December 2008	**4,766,540**	**0.75**	**174,840**	**3,749,745**
31 December 2009	**4,766,540**	**0.75**	**174,840**	**3,749,745**

The number of authorised ordinary shares as of 31 December 2009 was 4,766,540 (2008 – 4,766,540) with a nominal value per share of RUB 750. All authorised shares have been issued and fully paid.

The share capital of the Bank was formed in Russian Rubles.

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 Bank.

(Thousands of Russian Rubles)

20. Equity (continued)

Share capital and additional paid-in capital (continued)

During June 2008 shareholders of the Bank approved an issue of 2,300,000 ordinary shares. The total consideration received for these shares was comprised of cash of RUB 4,313,136 thousand of which RUB 1,725,000 thousand represents the increase of share capital and RUB 2,588,136 thousand represents an increase of Additional-paid-in capital. This share issue was registered by the CBR in July 2008.

During 2008 the Bank also received two capital injections from the parent company: RUB 1,446,753 thousand in January and RUB 3,536,290 thousand in November. Both capital injections were booked as increases of additional-paid-in capital in 2008.

ING Group employee option and share plans represent ING Group share scheme, a cash settled share-based payments arrangement where the parent will grant the cash.

Dividends payable

There were no dividends paid or declared related to 2009 or 2008.

Dividends payable are restricted to the maximum retained earnings of the Bank which are determined according to legislation of the Russian Federation. In accordance with the legislation of the Russian Federation, as of 31 December 2009 the retained earnings available for distribution amounted to RUB 10,960,808 thousand (2008 - RUB 5,330,343 thousand).

21. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Bank and its counterparties, which could affect the Bank's financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Bank's borrowers' ability to repay the amounts due to the Bank. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Bank has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Bank's results and financial position in a manner not currently determinable.

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

(Thousands of Russian Rubles)

21. Commitments and contingencies (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As of 31 December 2009 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Commitments and contingencies

As of 31 December the Bank's commitments and contingencies comprised the following:

	2009	*2008*
Credit related commitments		
Undrawn loan commitments	4,536,630	2,513,519
Guarantees and letters of credit	2,026,994	2,526,240
	6,563,624	**5,039,759**
Operating lease commitments		
Not later than 1 year	98,696	117,076
Later than 1 year but not later than 5 years	309,818	20,788
	408,514	**137,864**
Commitments and contingencies	**6,972,138**	**5,177,623**
Less – Provisions (see Note 19)	(4,091)	(1,819)
Net commitments and contingencies	**6,968,047**	**5,175,804**

Property leased by the Bank is subleased to ING Group entities. The Bank has recognised RUB 119,762 thousand as lease expense and RUB 4,695 thousand as sublease income for 2009 (2008 – RUB 139,392 thousand and RUB 16,924 thousand, respectively).

Insurance

The Bank 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 Bank property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

(Thousands of Russian Rubles)

22. Net fee and commission income

Net fee and commission income comprises:

	2009	*2008*
Custody and brokerage fees	718,451	1,132,597
Agency and advisory fees	183,010	290,036
Currency control fees	136,209	117,772
Money transfer fees	56,787	43,637
Cash management fees	37,164	42,933
Guarantee and trade finance fees	28,733	48,648
Other	29,788	20,532
Fee and commission income	**1,190,142**	**1,696,155**
Custody and brokerage fees	216,919	462,086
Money transfer fees	24,175	22,742
Guarantee fees	22,979	34,192
Other	60,208	26,853
Fee and commission expense	**324,281**	**545,873**
Net fee and commission income	**865,861**	**1,150,282**

23. Other income

Total other income in 2009 amounted to RUB 10,814 thousand (2008 - RUB 82,673 thousand) of which RUB 7,953 thousand (2008 - RUB 75,260 thousand) represent the reimbursement of expenses by other ING Group entities made on their behalf by the Bank.

24. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2009	*2008*
Salaries and bonuses	867,706	813,220
Payroll related taxes and contributions	63,683	50,823
Other personnel costs	85,679	160,541
Personnel expenses	**1,017,068**	**1,024,584**

	2009	*2008*
Communications and information services	233,189	131,574
Occupancy	142,670	143,352
Equipment and software maintenance	72,841	97,642
Travel and representation	61,594	119,387
Professional services	59,645	49,885
Operating taxes	8,508	21,978
Security	8,411	9,186
Office supplies	6,325	10,750
Other	37,339	36,905
Other operating expenses	**630,522**	**620,659**

In 2009, other operating expenses with related parties comprised RUB 154,804 thousand and were represented by communication and information services charges (2008 – RUB 117,610 thousand) (see Note 29).

(Thousands of Russian Rubles)

25. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into price, fair value interest rate and currency risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Bank benefits from being part of a global banking group where many risk management and control procedures are designed on a central level, and implemented on a local level. Next to local monitoring of risk parameters, there is also central supervision.

Within the Bank the General Manager is ultimately responsible for the oversight of management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures; however, there are separate independent bodies responsible for managing and monitoring risks.

Management Board

The Management Board has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management units

The Bank has established various risk management and control units (Market Risk Management, Credit Risk Management, Operational, Information and Security Risk Management, and Compliance), who deal with their respective sphere of risk. The Heads of these departments are responsible for ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. These Heads report directly to the General Manager.

Each respective risk management unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process, monitoring of compliance with risk principles, policies and limits, and ensures the complete capture of the risks in risk measurement and reporting systems.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. This activity, however, is supervised on a daily basis by Product Control and Finance & Controlling, as well as regularly reviewed by Asset and Liability Committee.

Internal audit

Risk management processes throughout the Bank are audited by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Head Office and Group Internal Audit Department.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

(Thousands of Russian Rubles)

25. Risk management (continued)

Introduction (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

When deemed necessary and feasible, the Bank uses collateral to reduce its credit risks.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

The Bank, mainly through its head office, has developed policies and procedures for the management of credit exposures (both for on and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a regular reporting routine, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Management Board, as well as by ING Group.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrower/counterparty and by monitoring exposures in relation to such limits.

The Bank's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Methodology for the credit assessment of borrowers, including credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision;
- Methodology for the credit assessment of counterparties (corporates, banks, other financial institutions, other counterparties);
- Methodology for the evaluation of collateral;
- Credit documentation requirements.

Corporate loan/credit applications are originated by the General Lending Products or Structured Finance departments and are then passed on to Credit Risk Management. Such applications include complete information about the borrower, a financial analysis, as well as, if pertinent, a market and peer group analysis. The loan/credit applications are then independently reviewed by the Credit Risk Management Department and a second opinion is given accompanied by a check that credit policy requirements have been met. The credit decision is then taken via the Signatory Approval Process, which involves on each level sign offs by authorised representatives of the Front Office as well as Credit Risk Management. Before allowing to draw on any approved facilities, legal documentation and fulfillment of conditions precedent are independently verified by the Legal Department and Risk Management.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position, and subject to available counterparty limits. The risk is calculated as mark-to-market plus add-on, which reflects the potential future exposure till maturity. Guidelines therefore as well as calculation parameters are set by ING Group. There were no terms renegotiated regarding financial instruments contracts.

(Thousands of Russian Rubles)

25. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

The Bank makes available to its customers guarantees/letters of credit/stand-by letters of credit which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of respectively signed agreements with the customer. They expose the Bank to similar risks as in case of loans, and these are mitigated by the same control processes and policies.

Netting and Gross/Net

Due to lack of legal foundation, and in line with respective ING Group guidelines, the Bank shows exposures always on a gross basis, i.e. without netting or deductions for collateral.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	*Maximum exposure 2009*	*Maximum exposure 2008*
Cash and cash equivalents (excluding cash on hand)	5	2,185,581	32,427,894
Trading securities	6	15,162,750	8,557,505
Trading securities pledged under repurchase agreements	6	-	4,316,173
Amounts due from credit institutions	7	40,326,330	52,049,329
Derivative financial assets	8	6,164,959	24,212,026
Loans to customers	9	25,992,751	41,357,490
Other assets	14	1,067,713	388,949
		90,900,084	**163,309,366**
Credit related commitments	21	6,559,533	5,037,940
Total credit risk exposure		**97,459,617**	**168,347,306**

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Bank's credit rating system. Amounts in the below table are net of allowance for loan impairment.

		Neither past due nor impaired				
	Notes	*Credit rating BB and above 2009*	*Credit rating between BB and B 2009*	*Credit rating B and below 2009*	*Individually impaired 2009*	*Total*
Amounts due from credit institutions	7	40,053,331	203,467	-	69,532	40,326,330
Loans to customers	9	19,360,172	1,882,539	2,006,177	2,743,863	25,992,751
Total		**59,413,503**	**2,086,006**	**2,006,177**	**2,813,395**	**66,319,081**

(Thousands of Russian Rubles)

25. Risk management (continued)

Credit risk (continued)

		Neither past due nor impaired			
	Notes	**Credit rating BB and above 2008**	**Credit rating between BB and B 2008**	**Credit rating B and below 2008**	**Total**
Amounts due from credit institutions	7	48,754,028	1,326,206	1,969,095	52,049,329
Loans to customers	9	31,937,525	5,336,423	4,083,542	41,357,490
Total		**80,691,553**	**6,662,629**	**6,052,637**	**93,406,819**

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly (at least annually).

Loans to customers and amounts due from credit institutions are shown in the table above net of respective allowances for impairment. As of 31 December 2009 the impaired loan to OAO Marta in the amount of RUB 1,058,547 thousand was fully provisioned and is not shown in the above table (2008 - RUB 1,028,314 thousand).

There were no past due but not impaired financial assets as of 31 December 2009 and 2008.

During the years ended 31 December 2009 and 2008 the Bank did not renegotiate commercial loans that would otherwise be overdue or impaired.

Impairment assessment

The main considerations for a loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset (loans to customers and amounts due from credit institutions), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment, also known as Incurred But Not Reported (IBNR). The main purpose of the IBNR provision is to estimate the amount of allowance for those assets that have not yet been recognized as being impaired but an impairment has taken place. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

(Thousands of Russian Rubles)

25. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Asset and Liability Committee.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Liquidity Management and Funding policy of the Bank requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining an up-to-date contingency funding plan;
- monitoring financial position liquidity ratios against regulatory requirements.

Decisions regarding the Bank's liquidity management are made by the Asset and Liability Management Committee and implemented by the Liquidity Management and Funding Department within the Financial Markets Division.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the CBR. The Bank was in compliance with these ratios during the years ended 31 December 2009 and 2008.

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on certain liquidity ratios established by the CBR. As of 31 December, these ratios were as follows:

	2009, %	*2008, %*
N2 "Instant Liquidity Ratio" (assets receivable or realisable within one day / liabilities repayable on demand)	82.7	99.2
N3 "Current Liquidity Ratio" (assets receivable or realisable within 30 days / liabilities repayable within 30 days)	100.6	113.1
N4 "Long-Term Liquidity Ratio" (assets receivable in more than one year / sum of capital and liabilities repayable in more than one year)	55.4	65.8

(Thousands of Russian Rubles)

25. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December based on contractual undiscounted repayment obligations except for trading derivatives which are shown at fair value in a separate column and gross settled derivatives which are shown by contractual maturity. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	Trading derivatives	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
As of 31 December 2009						
Amounts due to Central Bank and Government	-	-	2,213,414	-	-	2,213,414
Amounts due to credit institutions	-	30,452,760	65,282	31,890	-	30,549,932
Derivative liabilities	4,011,350	-	-	-	-	4,011,350
Amounts due to customers	-	27,872,566	194,896	1,790	-	28,069,252
Subordinated loans	-	60,482	63,558	461,334	1,891,051	2,476,425
Other liabilities	-	442,199	18,701	-	-	460,900
Total undiscounted financial liabilities	**4,011,350**	**58,828,007**	**2,555,851**	**495,014**	**1,891,051**	**67,781,273**

	Trading derivatives	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
As of 31 December 2008						
Amounts due to Central Bank and Government	-	10,728,843	6,375,581	-	-	17,104,424
Amounts due to credit institutions	-	38,005,938	18,985,048	32,596	-	57,023,582
Derivative liabilities	23,845,064	-	-	-	-	23,845,064
Amounts due to customers	-	45,179,400	187,212	-	-	45,366,612
Subordinated loans	-	107,826	265,684	1,735,222	2,107,546	4,216,278
Other liabilities	-	1,179,385	53,676	-	-	1,233,061
Total undiscounted financial liabilities	**23,845,064**	**95,201,392**	**25,867,201**	**1,767,818**	**2,107,546**	**148,789,021**

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
2009	348,541	6,114,291	100,792	-	6,563,624
2008	328,555	1,132,790	3,578,414	-	5,039,759

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

(Thousands of Russian Rubles)

25. Risk management (continued)

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rates, and currency financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

Market Risk Management and the Product Control division monitors, controls and manages market risk daily. The Financial Market division can take positions only in approved products within set limits. The Limit Sheet and Product Mandate is reviewed annually and approved by the Parent Company, ING Bank N.V.

Market risk – Trading and Non - trading

Objectives and limitations of the VaR Methodology
The Value-At-Risk ("VaR") method is used for quantitative risk valuation at the ING Group level. The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated by using historical data with reference to market from at least the last 12 months. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation (so called back–test). Market risk positions are also subject to regular stress tests to ensure that the Bank would withstand an extreme market event.

VaR assumptions
The VaR that the Bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

Since VaR is an integral part of the Bank's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management. VaR analysis includes all trading and non-trading positions, except for loans to customers, which are included in the sensitivity analysis.

The following table represents estimated VaR at 31 December:

	2009	*2008*
Foreign exchange	13,554	7,427
Interest rate	113,383	85,474
Credit Spread	30,307	35,415

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Positions are monitored on a daily basis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

(Thousands of Russian Rubles)

25. Risk management (continued)

Market risk (continued)

Credit spread risk

Credit spread risk is the risk of adverse profit or loss movements due to changes in the spreads between the benchmark curve and the term structure(s) of 'risky' interest rates used to discount the cash flows of credit risk bearing securities (for instance corporate bond curves). The calculation of credit spread VAR is especially important for bond portfolios. Each security is assigned to a credit spread class on the basis of certain criteria (for instance market, country, currency, credit quality). Based on historical data of benchmark curves/instruments, for each class spread volatilities and correlations are calculated. Spreads are calculated against the (benchmark) swap curve.

Market risk – Non - trading

Interest rate risk

For the non-trading portfolio (loans to customers), a sensitivity analysis is applied. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The sensitivity of the profit or loss within the statement of comprehensive income is the effect of the assumed changes in interest rates on the profit before income tax expense for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

The following table demonstrates the sensitivity of the Bank's profit or loss within the statement of comprehensive income to a reasonable possible change in interest rates, with all other variables held constant.

	Increase in basis points 2009	*Sensitivity of profit before income tax expense 2009*
RUB / Mosprime	600	670,882
USD / Libor	100	123,834
EUR / Eurlibor	100	11,028

	Decrease in basis points 2009	*Sensitivity of profit before income tax expense 2009*
RUB / Mosprime	500	(559,068)
USD / Libor	25	(30,958)
EUR / Eurlibor	25	(2,757)

	Increase in basis points 2008	*Sensitivity of profit before income tax expense 2008*
RUB / Mosprime	1,180	2,065,599
USD / Libor	55	108,196
EUR / Eurlibor	30	11,110

	Decrease in basis points 2008	*Sensitivity of profit before income tax expense 2008*
RUB / Mosprime	1,180	(2,065,599)
USD / Libor	55	(108,196)
EUR / Eurlibor	30	(11,110)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The limits on positions by currency are based on the CBR regulations. Positions are monitored on a daily basis within trading risk.

(Thousands of Russian Rubles)

25. Risk management (continued)

Market risk (continued)

The tables below indicate the currencies to which the Bank had significant exposure as of 31 December 2009 and 2008 on loans to customers. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Rouble, with all other variables held constant on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities). The effect on equity does not differ from the effect on the statement of comprehensive income. A negative amount in the table reflects a potential net reduction in statement of comprehensive or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate in % 2009*	*Effect on profit before income tax expense 2009*	*Change in currency rate in % 2008*	*Effect on profit before income tax expense 2008*
USD	14.8%	1,832,742	31.8%	6,255,696
USD	-14.8%	(1,832,742)	13.8%	2,714,736
EUR	14.0%	154,398	18.3%	677,739
EUR	-14.0%	(154,398)	1.1%	40,738

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

26. Fair values of financial instruments

The Bank has performed an assessment of its financial instruments, as required by IFRS 7 Financial Instruments: Disclosure and Presentation, to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

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

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

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

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.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(Thousands of Russian Rubles)

26. Fair values of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As of 31 December 2009	***Level 1***	***Level 2***	***Total***
Financial assets			
Derivative financial instruments	-	6,164,959	6,164,959
Trading securities	15,162,750	-	15,162,750
Available-for-sale securities	1,452	2,527	3,979
	15,164,202	**6,167,486**	**21,331,688**
Financial liabilities			
Derivative financial instruments	-	4,011,350	4,011,350
	15,164,202	**2,156,136**	**17,320,338**

As of 31 December 2008	***Level 1***	***Level 2***	***Total***
Financial assets			
Derivative financial instruments	-	24,212,026	24,212,026
Trading securities, including pledged under repurchase agreements	12,873,678	-	12,873,678
Available-for-sale securities	-	2,454	2,454
	12,873,678	**24,214,480**	**37,088,158**
Financial liabilities			
Derivative financial instruments	-	23,845,064	23,845,064
	12,873,678	**369,416**	**13,243,094**

As of 31 December 2009 and 2008 there were no financial instruments recorded on Level 3.

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Investment securities available-for-sale

Investment securities available-for-sale valued using a valuation technique or pricing models consist of unquoted equity securities. These securities are valued using models which incorporate data observable in the market.

Transfers between level 1 and 2

There have been no transfers between level 1 and level 2 in 2009.

(Thousands of Russian Rubles)

27. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 25 “Risk management” for the Bank’s contractual undiscounted repayment obligations.

As of 31 December 2009 a maturity analysis of assets and liabilities consist of the following:

	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 year to 5 years*	*More than 5 years*	*No stated maturity*	*Total*
Assets							
Cash and cash equivalents	2,549,574	-	-	-	-	-	2,549,574
Trading securities	15,162,750	-	-	-	-	-	15,162,750
Amounts due from credit institutions	37,351,064	220,240	1,518,441	486,327	-	750,258	40,326,330
Derivative financial assets	669,168	1,329,253	1,945,024	2,221,514	-	-	6,164,959
Loans to customers	8,891,910	2,231,159	1,950,425	8,883,249	4,036,008	-	25,992,751
Available-for-sale securities	-	-	-	-	-	3,979	3,979
Property and equipment	-	-	-	-	-	116,862	116,862
Goodwill	-	-	-	-	-	125,125	125,125
Other assets	127,193	147,776	792,744	-	-	-	1,067,713
Total	**64,751,659**	**3,928,428**	**6,206,634**	**11,591,090**	**4,036,008**	**996,224**	**91,510,043**
Liabilities							
Amounts due to Central Bank	-	-	2,070,942	-	-	-	2,070,942
Amounts due to credit institutions	30,006,453	294,791	-	31,360	-	-	30,332,604
Derivative financial liabilities	1,218,195	523,584	1,329,235	931,957	8,379	-	4,011,350
Amounts due to customers	27,495,156	284,457	191,110	1,790	-	-	27,972,513
Subordinated loans	55,830	-	6,791	-	1,623,871	-	1,686,492
Other provisions	247	220	2,154	1,470	-	-	4,091
Deferred income tax liabilities	-	-	-	-	-	643,585	643,585
Other liabilities	39,031	403,168	18,701	-	-	-	460,900
Total	**58,814,912**	**1,506,220**	**3,618,933**	**966,577**	**1,632,250**	**643,585**	**67,182,477**
Net	**5,936,747**	**2,422,208**	**2,587,701**	**10,624,513**	**2,403,758**	**352,639**	**24,327,566**
Accumulated gap	**5,936,747**	**8,358,955**	**10,946,656**	**21,571,169**	**23,974,927**	**24,327,566**	**24,327,566**

(Thousands of Russian Rubles)

27. Maturity analysis of assets and liabilities (continued)

As of 31 December 2008 maturity analysis of assets and liabilities consist of the following:

	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 year to 5 years*	*More than 5 years*	*No stated maturity*	*Total*
Assets							
Cash and cash equivalents	32,781,052	-	-	-	-	-	32,781,052
Trading securities	8,557,505	-	-	-	-	-	8,557,505
Trading securities pledged under repo agreements	4,316,173	-	-	-	-	-	4,316,173
Amounts due from credit institutions	37,868,756	13,111,207	283,071	609,447	-	176,848	52,049,329
Derivative financial assets	5,043,583	4,084,558	10,031,822	5,052,063	-	-	24,212,026
Loans to customers	15,224,398	3,781,290	8,297,953	11,635,225	2,418,624	-	41,357,490
Available-for-sale securities	-	-	-	2,454	-	-	2,454
Property and equipment	-	-	-	-	-	157,620	157,620
Goodwill and other intangible assets	-	-	-	-	-	125,125	125,125
Deferred income tax assets	-	-	-	-	-	412,160	412,160
Other assets	110,500	254,010	23,072	1,367	-	-	388,949
Total	**103,901,967**	**21,231,065**	**18,635,918**	**17,300,556**	**2,418,624**	**871,753**	**164,359,883**
Liabilities							
Amounts due to the CBR	10,686,062	-	6,049,758	-	-	-	16,735,820
Amounts due to credit institutions	34,010,166	3,851,563	18,590,136	-	-	-	56,451,865
Derivative financial liabilities	4,385,310	5,457,335	11,059,178	2,824,690	118,551	-	23,845,064
Amounts due to customers	44,380,999	736,773	177,827	-	-	-	45,295,599
Subordinated loans	-	-	-	796,091	1,713,356	-	2,509,447
Other provisions	-	10,272	597	1,209	-	-	12,078
Other liabilities	50,263	1,129,122	53,676	-	-	-	1,233,061
Total	**93,512,800**	**11,185,065**	**35,931,172**	**3,621,990**	**1,831,907**	**-**	**146,082,934**
Net	**10,389,167**	**10,046,000**	**(17,295,254)**	**13,678,566**	**586,717**	**871,753**	**18,276,949**
Accumulated gap	**10,389,167**	**20,435,167**	**3,139,913**	**16,818,479**	**17,405,196**	**18,276,949**	**18,276,949**

(Thousands of Russian Rubles)

28. Currency analysis of assets and liabilities

The following table shows the currency structure of assets and liabilities at 31 December 2009:

	RUB	*USD*	*Other currencies*	*Total*
Assets				
Cash and cash equivalents	1,818,502	417,490	313,582	2,549,574
Trading securities	15,105,742	57,008	-	15,162,750
Amounts due from credit institutions	20,251,997	8,142,991	11,931,342	40,326,330
Derivative financial assets	6,164,959	-	-	6,164,959
Loans to customers	12,967,058	11,921,634	1,104,059	25,992,751
Available-for-sale securities	1,452	2,527	-	3,979
Property and equipment	116,862	-	-	116,862
Goodwill	125,125	-	-	125,125
Other assets	821,261	230,637	15,815	1,067,713
Total	**57,372,958**	**20,772,287**	**13,364,798**	**91,510,043**
Liabilities				
Amounts due to Central Bank	2,070,942	-	-	2,070,942
Amounts due to credit institutions	11,829,878	17,176,510	1,326,216	30,332,604
Derivative financial liabilities	4,011,350	-	-	4,011,350
Amounts due to customers	14,735,741	7,564,054	5,672,718	27,972,513
Subordinated loans	-	811,935	874,557	1,686,492
Other provisions	2,275	101	1,715	4,091
Deferred income tax liabilities	643,585	-	-	643,585
Other liabilities	291,298	40,105	129,497	460,900
Total	**33,585,069**	**25,592,705**	**8,004,703**	**67,182,477**
Net	**23,787,889**	**(4,820,418)**	**5,360,095**	**24,327,566**

Other currencies in the table above are primarily the Euro.

(Thousands of Russian Rubles)

28. Currency analysis of assets and liabilities (continued)

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

	RUB	*USD*	*Other currencies*	*Total*
Assets				
Cash and cash equivalents	7,842,792	11,789,971	13,148,289	32,781,052
Trading securities	8,133,191	424,314	-	8,557,505
Trading securities pledged under repurchase agreements	4,316,173	-	-	4,316,173
Amounts due from credit institutions	33,028,460	7,958,160	11,062,709	52,049,329
Derivative financial assets	24,212,026	-	-	24,212,026
Loans to customers	17,789,513	19,866,488	3,701,489	41,357,490
Available-for-sale securities	-	2,454	-	2,454
Property and equipment	157,620	-	-	157,620
Goodwill	125,125	-	-	125,125
Deferred income tax assets	412,160	-	-	412,160
Other assets	111,722	186,505	90,722	388,949
Total	**96,128,782**	**40,227,892**	**28,003,209**	**164,359,883**
Liabilities				
Amounts due to Central Bank	16,735,820	-	-	16,735,820
Amounts due to credit institutions	30,870,308	12,033,941	13,547,616	56,451,865
Derivative financial liabilities	23,845,064	-	-	23,845,064
Amounts due to customers	19,157,265	22,142,192	3,996,142	45,295,599
Subordinated loans	875,635	796,092	837,720	2,509,447
Other provisions	616	10,561	901	12,078
Other liabilities	928,402	38,757	265,902	1,233,061
Total	**92,413,110**	**35,021,543**	**18,648,281**	**146,082,934**
Net	**3,715,672**	**5,206,349**	**9,354,928**	**18,276,949**

29. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Control relationships

The Bank's Parent Company is ING Bank N.V. which produces publicly available financial statements. The party that has the ultimate control over the Bank is ING Groep N.V.

Key management personnel include management board.

(Thousands of Russian Rubles)

29. Related party disclosures (continued)

Control relationships (continued)

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2009			2008		
	Parent	*Other ING Group Companies*	*Key management personnel*	*Parent*	*Other ING Group Companies*	*Key management personnel*
Assets						
Cash and cash equivalents	72,118	5,435	-	89,704	6,749	-
Amounts due from credit institutions	34,940,526	120,009	-	42,568,859	123,434	-
Derivative financial assets	5,648,825	144,506	-	20,598,613	157,892	-
Other assets						
Gross other assets	220,671	-	-	92,258	-	-
Less – Allowance for impairment	(91,745)	-	-	-	-	-
Total assets	**40,790,395**	**269,950**	**-**	**63,349,434**	**288,075**	**-**
Liabilities						
Amounts due to credit institutions	17,185,735	964,277	-	25,444,564	149,141	-
Derivative financial liabilities	3,064,635	305,120	-	20,163,899	1,381,467	-
Amounts due to customers	-	224,083	-	-	44,660	-
Subordinated loans	1,686,492	-	-	2,509,447	-	-
Other liabilities	108,255	3,086	10,142	14,716	3,847	-
Total liabilities	**22,045,117**	**1,496,566**	**10,142**	**48,132,626**	**1,579,115**	**-**
Interest income	2,505,110	28,044	-	936,982	2,399	34
Interest expense	(1,047,139)	(5,689)	-	(1,579,439)	(21,050)	-
Net fee and commission income	13,689	1,974	-	2,779	8,977	-
Net foreign exchange income	(932,264)	444,913	-	2,635,538	(926,044)	-
Other income	-	7,398	-	-	-	-
Other operating expenses	(133,194)	(21,610)	-	(43,427)	(74,183)	-
Profit for the year	**406,202**	**455,030**	**-**	**1,952,433**	**(1,009,901)**	**34**
Guaranties received	8,784,617	-	-	19,875,977	-	-

Compensation of key management personnel was comprised of the following:

	2009	*2008*
Short-term benefits		
Employee compensation	78,241	89,248
Salary related taxes	2,090	2,173
Post-employment benefits		
Contributions to non-state pension funds	545	428
Total key management compensation	**80,876**	**91,849**

Management believes that the related party transactions are under terms materially consistent with market transactions.

(Thousands of Russian Rubles)

30. Capital adequacy

CBR capital adequacy ratio

The CBR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As of 31 December 2009 and 2008, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2009 and 2008.
As of 31 December 2009 and 2008, the Bank's capital adequacy ratio (N1) on this basis was as follows:

	2009	***2008***
Main capital	16,758,903	11,382,140
Additional capital	3,501,663	7,826,551
Less: deductions from capital	(151)	(201)
Total capital	**20,260,415**	**19,208,490**
Risk weighted assets	**58,500,183**	**87,801,544**
Capital adequacy ratio	34.6%	21.9%

31. Custody activities

The Bank 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 Bank and are not recognised in the statement of financial position.

32. Events after the reporting period

In March 2010, the Bank received the final results of the tax audit for 2006-2008 from the Federal Tax Service of the Ministry of Finance. In accordance with tax resolution, the tax authorities have assessed additional taxes against the Bank in amount of RUB 40,310 thousand. The Bank is going to file a complaint in arbitration to overrule the tax inspectors' claim. The Bank has not recorded provisions in respect of the above contingency in these financial statements.

In February and March 2010, two out of three individually impaired loans were repaid in full amount (RUB 3,470,479 thousand). The carrying amount of these loans as of 31 December 2009 was RUB 2,743,863 thousand (see Note 9).

In March 2010, the Bank held Extraordinary General Shareholders' Meeting and decided to increase the share capital by capitalizing additional paid-in-capital in amount of RUB 4,224,850 thousand and retained earnings in amount of RUB 2,200,255 thousand. This increase was registered by the CBR on 19 May 2010.