ING Bank (Eurasia) ZAO

Financial Statements

Year ended 31 December 2008
Together with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

NOTES TO FINANCIAL STATEMENTS

BALANCE SHEET

As of 31 December 2008

(Thousands of Russian Rubles)

	Notes	*2008*	*2007*
Assets			
Cash and cash equivalents	5	32,781,052	3,484,695
Trading securities	6	8,557,505	9,676,809
Trading securities pledged under repurchase agreements	6	4,316,173	2,000,237
Amounts due from credit institutions	7	52,049,329	27,685,378
Derivative financial assets	8	24,212,026	1,082,601
Loans to customers	9	41,357,490	39,247,747
Available-for-sale securities	10	2,454	-
Property and equipment	11	157,620	102,775
Goodwill	12	125,125	125,125
Deferred income tax assets	13	412,160	123,369
Other assets	14	388,949	514,738
Total assets		**164,359,883**	**84,043,474**
Liabilities			
Amounts due to Central Bank and Government	15	16,735,820	1,939,827
Amounts due to credit institutions	16	56,451,865	36,114,619
Derivative financial liabilities	8	23,845,064	1,016,758
Amounts due to customers	17	45,295,599	34,759,251
Subordinated loans	18	2,509,447	2,278,389
Other provisions	19	12,078	1,570
Other liabilities	14	1,233,061	377,117
Total liabilities		**146,082,934**	**76,487,531**
Equity	20		
Share capital		3,749,745	2,024,745
Additional paid-in capital		10,359,304	2,788,125
Retained earnings		4,167,900	2,743,073
Total equity		**18,276,949**	**7,555,943**
Total equity and liabilities		**164,359,883**	**84,043,474**

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

General Director Alexander Pisaruk

Chief Financial Officer Katerina Sapozhnikova

3 June 2009

The accompanying notes on pages 5 to 41 are an integral part of these financial statements.

Ernst & Young

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/russia

ЗАО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790

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 balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

3 June 2009 Ernst & Young Vneshaudit

20 успешных лет в России
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год двадцатилетия практики «Эрнст энд Янг» в России.

20 great years in Russia
Ernst & Young's milestone in 2009 is our 20-th anniversary in Russia.

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INCOME STATEMENT

For the year ended 31 December 2008

(Thousands of Russian Rubles)

	Notes	2008	2007
Interest income			
Loans to customers		2,188,091	1,584,850
Amounts due from credit institutions		3,410,998	1,443,542
Trading securities		1,411,264	812,279
		7,010,353	**3,840,671**
Interest expense			
Amounts due to Central Bank and Government		(80,107)	(2,332)
Amounts due to credit institutions		(2,108,161)	(1,138,642)
Interest expense on trading derivatives		(52,018)	-
Amounts due to customers		(1,579,143)	(988,354)
Subordinated loans		(221,996)	(201,531)
Other		(175)	(13,809)
		(4,041,600)	**(2,344,668)**
Net interest income		**2,968,753**	**1,496,003**
Allowance for loan impairment	7, 9	(1,380,067)	(9,239)
Net interest income after allowance for loan impairment		**1,588,686**	**1,486,764**
Net fee and commission income	22	1,150,282	1,216,375
Net losses from trading securities		(1,448,229)	(41,613)
Net gains from foreign currencies:			
- dealing		1,966,155	159,200
- translation differences		361,111	152,519
Other income	23	82,673	106,568
Non-interest income		**2,111,992**	**1,593,049**
Personnel expenses	24	(973,761)	(799,509)
Depreciation	11	(51,235)	(50,092)
Other operating expenses	24	(671,482)	(502,582)
Other provisions	19	(10,508)	299
Non-interest expense		**(1,706,986)**	**(1,351,884)**
Profit before income tax expense		**1,993,692**	**1,727,929**
Income tax expense	13	(597,079)	(262,514)
Profit for the year		**1,396,613**	**1,465,415**

The accompanying notes on pages 5 to 41 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

(Thousands of Russian Rubles)

	Attributable to shareholders of the Bank			
	Share capital	***Additional paid-in capital***	***Retained earnings***	***Total***
31 December 2006	**2,024,745**	**2,788,125**	**1,277,658**	**6,090,528**
Profit for the year	-	-	1,465,415	1,465,415
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
Profit 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**

The accompanying notes on pages 5 to 41 are an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

(Thousands of Russian Rubles)

	2008	*2007*
Cash flows from operating activities		
Interest receipts	6,644,800	3,562,928
Fee and commission receipts	1,689,824	1,487,738
Interest payments	(3,333,108)	(2,297,780)
Fee and commission payments	(542,765)	(495,321)
Net receipts from financial assets at fair value through profit or loss and foreign exchange	(1,330,111)	139,662
Other income	80,169	93,049
General administrative expenses	(1,418,760)	(1,262,757)
Cash flows from operating activities before changes in operating assets and liabilities	**1,790,049**	**1,227,519**
Net (increase)/decrease in operating assets		
Trading securities	1,306,746	(262,337)
Trading securities pledged under repurchase agreements	(2,205,488)	637,356
Amounts due from credit institutions	(24,226,940)	(9,233,276)
Loans to customers	(3,436,220)	(21,598,838)
Other assets	69,227	20,662
Net increase / (decrease) in operating liabilities		
Amounts due to Central Bank and Government	14,690,455	(611,345)
Amounts due to credit institutions	19,786,839	20,120,319
Amounts due to customers	10,484,654	12,248,583
Other liabilities	(204,429)	(2,003,562)
Net cash flows from operating activities before income tax	**18,054,893**	**545,083**
Income tax paid	37,942	(392,790)
Net cash from operating activities	**18,092,835**	**152,293**
Cash flows from investing activities		
Purchase of property and equipment	(116,369)	(45,877)
Net cash used in investing activities	**(116,369)**	**(45,877)**
Cash flows from financing activities		
Proceeds from issue of share capital	9,296,179	-
Proceeds from issue of subordinated loans	-	850,000
Net cash from financing activities	**9,296,179**	**850,000**
Effect of exchange rates changes on cash and cash equivalents	2,023,712	(76,003)
Net increase in cash and cash equivalents	**29,296,357**	**880,413**
Cash and cash equivalents, beginning	3,484,695	2,604,282
Cash and cash equivalents, ending	**32,781,052**	**3,484,695**

The accompanying notes on pages 5 to 41 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 with limited liability in September 1993 and was granted its general banking license in March 1995. The principal activities of the Bank are deposit taking, commercial lending, operations with securities and foreign exchange, custodian and cash management services. The activities of the Bank are regulated by the Central Bank of the Russian Federation ("the CBR").

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 406 (2007 - 321).

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 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	*2008* *%*	*2007* *%*
ING Bank N.V.	99.981	99.981
Van Zwamen Holding B.V.	0.019	0.019
Total	**100.000**	**100.000**

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 2008:

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

Board of Management as of 31 December 2008:

A. Pisaruk
S. Walker
M. Chaikin
T. Savina
K. Sapozhnikova
N. Londarenko

(Thousands of Russian Rubles)

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").

Inflation accounting

The Russian economy was considered hyperinflationary until 31 December 2002. As such, the Bank applied IAS 29 "Financial Reporting in Hyperinflationary Economies". The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at 31 December 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

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:

IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions"
IFRIC Interpretation 11 became effective for annual periods beginning on or after 1 March 2007 and requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. For details on employee option and share plans see the same note, Retirement and other employee benefit obligations.

IFRIC 12 "Service Concession Arrangements"
IFRIC Interpretation 12 was issued in November 2006 and became effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This Interpretation has no impact on the Bank.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
IFRIC Interpretation 14 was issued in July 2007 and became effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. This Interpretation has no impact on the financial position or performance of the Bank.

Reclassification of Financial Assets – Amendments to IAS 39 "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures"
Amendments to IAS 39 and IFRS 7 were issued on 13 October 2008 and allow reclassification of non-derivative financial assets out of the held for trading category in particular circumstances. The amendments also allow transfer of certain financial assets from the available for sale category to loans and receivables category. The effective date of those amendments is 1 July 2008. Any reclassification made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The Bank did not reclassify any financial assets from held for trading or available for sale categories and hence these amendments did not have any impact on the financial position or performance of the Bank.

(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 amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortized cost using the effective yield method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair 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 recognized in the balance sheet when the Bank becomes a party to the contractual provisions on the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

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 at fair value through profit or loss are not reclassified subsequent to initial recognition.

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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:
- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.
The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

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 balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or 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 balance sheet.

Gains and losses on subsequent measurement

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the income statement; and
- a gain or loss on an available-for-sale financial asset is recognized directly in equity through the statement of changes in shareholders' equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in the income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the income statement calculated using the effective interest method.

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

Derecognition

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

(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 recognized 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 balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognized in the income statement over the term of the repo agreement using the effective interest rate method.

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

If securities purchased under agreement to resell are sold to third parties, the obligation to return them is recorded at fair value as a financial liability held for trading.

Securities lent to counterparties are retained in the balance sheet. Securities borrowed are not recorded in the balance sheet, 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 income statement. 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 income statement 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 income statement.

(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 the Central bank and Government, amounts due to credit institutions, amounts due to customers and debt securities issued. 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 balance sheet 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 amortized cost

Financial assets carried at amortized 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 recognized in the income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(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 recognized in the income statement and can not be reversed.

Non financial assets

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

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

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 income statement.

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

Financial guarantee liabilities are included within other liabilities.

Taxation

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

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

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

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

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.

Any revaluation surplus is credited to the revaluation reserve for equipment included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when property and equipment are put into use. The estimated useful lives are as follows:

	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.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

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.

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 the income statement 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

Assets classified as held for sale

The Bank classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Bank measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Provisions

A provision is recognised in the balance sheet 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.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Retirement and other employee benefit obligations (continued)

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 mim/her to keep his/her options.

The Bank has no other significant post-retirement benefits.

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 balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet 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 balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet 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.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

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.

- 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 balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement 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 Central Bank 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 2008 and 31 December 2007 were 29.3804 Rubles and 24.5462 Rubles to 1 USD, respectively and 41.4411 Rubles and 35.9332 Rubles to 1 EUR, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

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. The Bank is currently evaluating the potential impact that the adoption of the amendments will have on its financial statements.

IAS 1 Presentation of Financial Statements (Revised)
A revised IAS 1 was issued in September 2007, and becomes 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 Bank is still evaluating whether it will have one or two statements.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

IAS 23 "Borrowing Costs"(Revised)
A revised IAS 23 Borrowing costs was issued in March 2007, and becomes 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 will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

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 become 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 will have no impact on the Bank.

Amendment to IAS 39 "Financial Instruments: recognition and measurement " - Eligible Hedged Items.
The amendment to IAS 39 was issued in August 2008, and becomes 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 a 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.

Amendments to IFRS 1 "First-time Adoption of IFRSs" and IAS 27 "Consolidated and Separate Financial Statements" - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
These amendments were issued in May 2008, and become effective for annual periods beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The amendments to IFRS 1 allow an entity to determine the cost of investments in a subsidiary, jointly controlled entity or associate in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the financial statements of the Bank.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations
Amendment to IFRS 2 were issued in January 2008 and become 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. This amendment will have no impact on the financial position or performance of the Bank.

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 become 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 rise 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 8 "Operating Segments"
IFRS 8 becomes 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 will not have any impact on the financial position or performance of the Bank.

(Thousands of Russian Rubles)

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

IFRIC 13 "Customer Loyalty Programmes"
IFRIC Interpretation 13 was issued in June 2007 and becomes 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. The Bank expects that this interpretation will have no 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 recognized 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. The Bank expects that this interpretation will have no 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 a 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. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

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.

4. Significant accounting judgements and estimates

Judgements

In the process of applying the Bank's accounting policies, management can make judgements, apart from those involving estimates. In 2007 and 2008 management did not make any substantial judgements 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 judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet 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 judgement is required in establishing fair values.

(Thousands of Russian Rubles)

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement 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 judgement 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.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2008	*2007*
Cash on hand	353,158	226,650
Current accounts with the Central Bank	28,961,329	944,550
Current accounts with other credit institutions	3,466,565	2,313,495
Cash and cash equivalents	**32,781,052**	**3,484,695**

6. Trading securities

Trading securities owned comprise:

	2008	*2007*
Corporate bonds	6,654,956	7,435,673
Government bonds	1,816,729	2,129,370
Municipal bonds	85,820	111,766
Trading securities	**8,557,505**	**9,676,809**

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

Trading securities pledged under repurchase agreements owned comprise:

	2008	*2007*
Corporate bonds	4,316,173	1,512,944
Government bonds	-	487,293
Trading securities	**4,316,173**	**2,000,237**

No other financial assets were used as collateral pledged under repurchase agreements.

The carrying amount of securities sold under agreements to repurchase at 31 December 2008 was RUB 3,975,861 of which securities with a fair value of 4,316,173 were classified as at fair value through profit or loss. The counterparty is allowed to sell or re-pledge those securities in the absence of default by the Bank. Those securities are presented in the Balance Sheet as "Trading securities pledged under repurchase agreements".

All repurchase deals opened as of the end of 2008 were short term (less 1 month) and were with the CBR. All repurchase deals opened as of the end of 2007 were short term (less 1 month) of which 99% were with the CBR and the rest were with other counterparties.

(Thousands of Russian Rubles)

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2008	*2007*
Obligatory reserve with the Central Bank	176,848	1,196,163
Time deposits	47,747,873	22,435,526
Reverse repurchase agreements	-	4,064,352
Deferred settlements on securities	4,129,289	2,400
Gross amounts due from credit institutions	**52,054,010**	**27,698,441**
Less – Allowance for impairment	(4,681)	(13,063)
Amounts due from credit institutions	**52,049,329**	**27,685,378**

Deferred settlements on securities comprise receivables on several sales of securities (Russian Eurobonds) through Euroclear that were settled at the beginning of January 2009.

As of 31 December 2008, time deposits represent 82% of total Amounts due from credit institutions of which RUB 42,692,293 are related party deposits with ING Group (Note 29).

As of 31 December 2007, the Bank had no banks and financial institutions whose balances exceeded 10% of total Amounts due from credit institutions.

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.

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

	2008	*2007*
1 January	13,063	18,947
Net (recovery)/charge for the year	(8,382)	(5,884)
31 December	**4,681**	**13,063**

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.

	2008			*2007*		
	Notional principal	***Fair values***		***Notional principal***	***Fair value***	
		Asset	***Liability***		***Asset***	***Liability***
Interest rate contracts						
Swaps	1,600,000	41,434	103,778	-	-	-
Foreign exchange contracts						
Forwards	292,241,164	23,267,086	23,556,453	80,435,988	895,422	879,799
Swaps	3,525,648	761,015	55,877	-	-	-
Spot	19,097,627	142,491	128,956	102,114,885	186,958	136,917
Options	-	-	-	110,458	221	42
Total derivative assets/liabilities		**24,212,026**	**23,845,064**		**1,082,601**	**1,016,758**

(Thousands of Russian Rubles)

8. Derivative financial instruments (continued)

This category includes by derivative financial instruments with related parties of ING Group totalling RUB 20,756,505 (31 December 2007 – RUB 717,949) (see note 29).

As of 31 December 2008 and 2007, the Bank has positions in the following types of derivatives:

Forwards

Forwards and futures contracts 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.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

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:

	2008	*2007*
Commercial loans	42,741,256	38,127,835
Loans to individuals	68,760	31,305
Reverse repurchase agreements	-	1,152,683
Gross loans to customers	**42,810,016**	**39,311,823**
Less – Allowance for impairment	(1,452,526)	(64,076)
Loans to customers	**41,357,490**	**39,247,747**

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	2008	*2007*
At 1 January	64,076	48,953
Net charge/(recovery) for the period	1,388,450	15,123
At 31 December	**1,452,526**	**64,076**

Individually impaired loans

The only individually significant provision relates to OAO Marta and amounts to USD 35,000 thousand. The loan granted to OAO Marta is fully provisioned. As of 31 December 2008, a claim against OAO Marta and Sureties under the loan have been filed with the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation (the "Court"). The preliminary expectation for initial Court hearing is the end of May-June 2009.

(Thousands of Russian Rubles)

9. Loans to customers (continued)

Concentration of loans to customers

As of 31 December 2008 and as of 31 December 2007, the Bank had no loans to customers whose balance exceeded 10% of gross loans. As of 31 December 2008 the Bank had a concentration of loans represented by RUB 20,715,327 due from the ten largest third party entities (48.39% of gross loan portfolio) (31 December 2007 – RUB 16,082,018 or 40.91%). An allowance of RUB 130,699 (2007 – RUB 31,310) was recognised against these loans.

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

	2008	*2007*
Retail customers	68,760	31,305
Reverse repurchase agreements	-	1,152,683
Commercial customers		
Power	9,039,253	5,200,755
Mining/metallurgy	7,062,899	5,450,112
Trade	6,521,861	5,694,571
Food and tobacco production	5,852,524	4,046,818
Manufacturing	4,637,745	6,972,384
Telecommunications	3,157,059	2,875,298
Chemical	3,111,415	2,082,366
Oil and petroleum production	1,477,449	3,940,690
Finance		810,079	1,618,446
Other	1,070,972	246,395
	42,810,016	**39,311,823**
Allowance for impairment	(1,452,526)	(64,076)
Total	**41,357,490**	**39,247,747**

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 at 31 December 2008:

	2008	**% of loan portfolio**	*2007*	**% of loan portfolio**
Guarantees received	13,552,695	35%	20,580,120	54%
No collateral	27,804,795	65%	17,514,944	46%
Total	**41,357,490**	**100%**	**38,095,064**	**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. According to management's assessment as of 31 December 2008, the fair value of the suretyship for the impaired and fully provisioned loan to OAO Marta is zero.

As of 31 December 2007 amounts under reverse repurchase agreements were collateralised by corporate bonds with credit ratings of BB and above with fair value of RUB 1,292,161.

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

No collateral was sold or repledged in 2008 or in 2007.

(Thousands of Russian Rubles)

10. Available-for-sale securities

Available for sale securities consist of 12,107 common shares (Class C with nominal USD 0.0001 per share) received from VISA in 2008 free of charge as a result of the restructuring process undertaken by VISA Inc, when the Bank received 27,633 shares as its pro rata stockholding in VISA Inc, of which 15,526 shares have been reimbursed by the issuer at the amount of USD 663,885 before year-end. Also in 2008, the Bank received dividends from Visa totalling RUB 52.

Class C common VISA shares are unquotable and non-transferrable into quotable Class A Visa shares until 2011, in accordance with Visa's Certificate of Incorporation. The fair value of Visa shares at 31 December 2008 was determined by an independent appraiser and amounted to RUB 2,454,380 (USD 83,538 at CBR rate 29.3804 as of 31 December 2008).

11. Property and equipment

The movements in property and equipment were as follows:

	Office Machines & Equipment	*Data Processing Equipment*	*Motor Vehicles*	*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 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**

	Office Machines & Equipment	*Data Processing Equipment*	*Motor Vehicles*	*Computer Software*	*Total*
Cost					
31 December 2006	176,824	80,000	24,657	98,196	379,677
Additions	13,240	24,661	7,976	-	45,877
Disposals	(456)	(3,600)	(7,147)	-	(11,203)
31 December 2007	**189,608**	**101,061**	**25,486**	**98,196**	**414,351**
Accumulated depreciation					
31 December 2006	132,885	33,214	5,410	97,889	269,398
Depreciation charge	29,887	14,787	5,117	301	50,092
Disposals	(558)	(3,584)	(3,772)	-	(7,914)
31 December 2007	**162,214**	**44,417**	**6,755**	**98,190**	**311,576**
Net book value:					
31 December 2006	**43,939**	**46,786**	**19,247**	**307**	**110,279**
31 December 2007	**27,394**	**56,644**	**18,731**	**6**	**102,775**

(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% and occupied the largest market share of custody services in Russia.

As result of the acquisition, goodwill in amount of RUB 125,125 was recognised on the Bank's balance sheet. In accordance with IFRS 36 "Impairment of Assets", goodwill is tested for impairment annually and no impairment loss was identified as of 31 December 2008 or 2007.

13. Taxation

The corporate income tax expense comprises:

	2008	*2007*
Current tax charge	887,430	310,661
Deferred tax charge/(credit) – origination and reversal of temporary differences	(288,791)	(48,147)
Income tax expense	**597,079**	**262,514**

Russian legal entities must file individual tax declarations. The current tax rate for banks for profits other than on state securities was 24% for 2008 and 2007. The deferred tax rate for banks was 24% for 2007 and 20% for 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:

	2008	*2007*
Profit before tax	**1,993,692**	**1,727,929**
Statutory tax rate	24%	24%
Theoretical income tax expense at the statutory rate	**478,486**	**414,703**
Income on state securities taxed at different rates	(17,082)	(28,055)
Effect of change in tax rates from 24% to 20% starting from 2009 applicable to deferred tax	82,173	-
Non-deductible expenditures	31,445	25,035
Income recognised for tax purposes only (permanent differences)	22,057	-
Utilised tax losses carried forward, not recognised previously	-	(149,169)
Income tax expense	**597,079**	**262,514**

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

	Assets		*Liabilities*		*Net*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*
Derivative financial assets	-	59,673	(4,248,358)	-	(4,248,358)	59,673
Trading securities (including securities pledged under repurchase agreements)	61,392	18,239	-	-	61,392	18,239
Loans to customers	74,188	-	-	(9,214)	74,188	(9,214)
Other assets	-	-	(18,699)	(8,874)	(18,699)	(8,874)
Property and equipment	-	-	(1,990)	(729)	(1,990)	(729)
Goodwill	-	-	(25,025)	(25,217)	(25,025)	(25,217)
Amounts due to credit institutions	3,979	14,258	-	-	3,979	14,258
Derivative financial liabilities	4,565,517	-	-	(4,268)	4,565,517	(4,268)
Other liabilities	1,156	79,501	-	-	1,156	79,501
Net deferred tax assets/(liabilities)	**4,706,232**	**167,403**	**(4,294,072)**	**(44,034)**	**412,160**	**123,369**

(Thousands of Russian Rubles)

14. Other assets and liabilities

Other assets comprise:

	2008	*2007*
Custody fees receivable	172,290	278,222
Other income receivable	110,627	111,909
Settlements with suppliers	68,996	36,309
VAT receivable	25,976	13,597
Settlements with VISA International and Europay International	514	7,281
Current income tax receivable	-	62,918
Other	10,546	4,502
Other assets	**388,949**	**514,738**

Other liabilities comprise:

	2008	*2007*
Current income tax payable	860,894	-
Employee compensation payable	202,774	267,292
Other taxes payable	61,932	39,652
Payables to suppliers	39,781	54,976
Other	67,680	15,197
Other liabilities	**1,233,061**	**377,117**

15. Amounts due to Central Bank and Government

Amounts due to Central Bank and Government consist of the following:

	2008	*2007*
Amounts due to the CBR		
-Loans received from the CBR	9,298,969	-
-Amounts payable under repurchase agreements	7,436,851	1,939,827
Amounts due to Central Bank and Government	**16,735,820**	**1,939,827**

As of 31 December 2008, the Bank had certain securities pledged as collateral under repurchase agreements (see Note 6).

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

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2008	*2007*
Current accounts	14,038,757	4,261,639
Time deposits and loans	42,413,108	31,852,980
Amounts due to credit institutions	**56,451,865**	**36,114,619**

Included in current accounts is a balance of RUB 12,133,024 (2007 - RUB 2,306,626) 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.

(Thousands of Russian Rubles)

17. Amounts due to customers

The amounts due to customers include the following:

	2008	*2007*
Current accounts	15,002,043	12,025,245
Time deposits	30,293,556	22,708,796
Repurchase agreements	-	25,210
Amounts due to customers	**45,295,599**	**34,759,251**

Included in time deposits are deposits of individuals in the amount of RUB 1,478,645 (2007 – RUB 1,878,794). 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 at 31 December 2008 and 2007 the current accounts and time deposits due to customers which individually exceeded 10% of total current accounts and deposits from customers were as follows:

	2008	*2007*
TNK – BP	14,126,432	4,378,662
Rosneft	-	4,003,504
Total	**14,126,432**	**8,382,166**

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

18. Subordinated loans

	2008	*2007*
Subordinated loan from ING Bank N.V. with a nominal amount of USD 25,000 thousand maturing on 30 December 2012 at an interest rate of 12 month LIBOR + 6% (2007: 12 month LIBOR + 6%)	796,092	679,173
Subordinated loan from ING Bank N.V. with a nominal amount of EUR 20,000 thousand maturing on 21 November 2015 at an interest rate of 6 month EURIBOR + 6% (2007: 6 month EURIBOR + 6%)	837,720	726,921
Subordinated loan from ING Bank N.V. with a nominal amount of RUB 850,000 thousand maturing on 03 April 2017 at an interest rate of 3 month MOSPRIME +3%(2007: 3 month MOSPRIME +3%)	875,635	872,295
Total	**2,509,447**	**2,278,389**

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

19. Other provisions

The movements in other provisions were as follows:

	2008	*2007*
At 1 January	1,570	1,869
Increase in provisions on financial claim	10,259	-
Increase (decrease) in provisions for guarantees and letters of credit	249	(299)
At 31 December	**12,078**	**1,570**

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). The claim was settled in March 2009 (the full amount was paid in cash to the client).

(Thousands of Russian Rubles)

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*		
	Ordinary	*Ordinary*	*Inflation adjustment*	*Total*
31 December 2007, 2006	**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**

The number of authorised ordinary shares as per 31 December 2008 are 4,766,540 (31 December 2007 – 2,466,540) with a nominal value per share of 0.75 RUB. All authorised shares have been issued and fully paid.

The share capital of the Bank was contributed by the shareholders 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.

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 of which RUB 1,725,000 represents the increase of share capital and RUB 2,588,136 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 in January and RUB 3,536,290 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's 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 2007 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 2008 the retained earnings available for distribution amounted to RUB 5,330,343 (31 December 2007 RUB 3,388,567).

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 ongoing global financial crisis has resulted in 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 and supporting refinancing of foreign debt for 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, the borrowers of the Bank may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Bank. 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.

(Thousands of Russian Rubles)

21. Commitments and contingencies (continued)

Legal

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

Taxation

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

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

Commitments and contingencies

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

	2008	*2007*
Credit related commitments		
Undrawn loan commitments	2,513,519	4,404,725
Guarantees and letters of credit	2,526,240	2,626,690
	5,039,759	**7,031,415**
Operating lease commitments		
Not later than 1 year	117,076	80,262
Later than 1 year but not later than 5 years	20,788	89,263
	137,864	**169,525**
Commitments and contingencies	**5,177,623**	**7,200,940**
Less – Provisions	(1,819)	(1,570)
Net commitments and contingencies	**5,175,804**	**7,199,370**

Property leased by the Bank is subleased to ING Group entities. The Bank has recognised RUB 139,392 as lease expense and RUB 16,924 as sublease income for 2008 (2007 – RUB 111,253 and RUB 21,169, 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:

	2008	*2007*
Custody and brokerage fees	1,132,597	1,160,972
Agency and advisory fees	290,036	314,864
Currency control fees	117,772	87,736
Guarantee and trade finance fees	48,648	23,031
Money transfer fees	43,637	43,430
Cash management fees	42,933	45,356
Other	20,532	36,308
Fee and commission income	**1,696,155**	**1,711,697**
Custody and brokerage fees	462,086	441,945
Guarantee fees	34,192	11,893
Money transfer fees	22,742	22,400
Other	26,853	19,084
Fee and commission expense	**545,873**	**495,322**
Net fee and commission income	**1,150,282**	**1,216,375**

23. Other income

Total Other Income in 2008 amounted to RUB 82,673 (Rub 106,568 in 2007) of which Rub 75,260 (Rub 105,977 in 2007) 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:

	2008	*2007*
Salaries and bonuses	813,220	684,487
Other personnel costs	160,541	115,022
Personnel expenses	**973,761**	**799,509**

	2008	*2007*
Occupancy	143,352	111,253
Communications and information services	131,574	77,300
Travel and representation	119,387	95,618
Equipment maintenance	97,642	72,531
Payroll related taxes and contributions	50,823	61,181
Professional services	49,885	25,770
Operating taxes	21,978	11,047
Office supplies	10,750	8,945
Security	9,186	8,665
Other	36,905	30,272
Other operating expenses	**671,482**	**502,582**

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.

(Thousands of Russian Rubles)

25. Risk management (continued)

Introduction (continued)

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

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 ALCO.

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 IAD.

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.

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.

(Thousands of Russian Rubles)

25. Risk management (continued)

Introduction (continued)

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 balance sheet 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 authorized 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 balance sheet, 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.

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.

(Thousands of Russian Rubles)

25. Risk management (continued)

Credit risk (continued)

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 balance sheet, 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 2008*	*Maximum exposure 2007*
Cash and cash equivalents (excluding cash on hand)	5	32,427,894	3,258,045
Trading securities	6	12,873,678	11,677,046
Amounts due from credit institutions	7	52,049,329	27,685,378
Derivative financial assets	8	24,212,026	1,082,601
Loans to customers	9	41,357,490	39,247,747
Investment securities	10	2,454	-
Other assets	14	388,949	514,738
		163,311,820	**83,465,555**
Financial commitments and contingencies	21	5,177,623	7,200,940
Total credit risk exposure		**158,134,197**	**76,264,615**

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 balance sheet line items based on the Bank's credit rating system.

		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**

		Neither past due nor impaired			
	Notes	*Credit rating BB and above 2007*	*Credit rating between BB and B 2007*	*Credit rating B and below 2007*	*Total*
Amounts due from credit institutions	7	22,559,637	3,131,694	1,994,046	27,685,377
Loans to customers	9	29,111,670	5,621,992	4,514,085	39,247,747
Total		**51,671,307**	**8,753,686**	**6,508,131**	**66,933,124**

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. The impaired loan to OAO Marta in the amount of RUB 1,028,314 was fully provisioned and is not shown in the above table.

(Thousands of Russian Rubles)

25. Risk management (continued)

Credit risk (continued)

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 (for impaired Individually Significant Financial Assets) and collectively assessed allowances (for impaired Individually Not Significant Financial Assets).

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

Allowances are assessed collectively for losses on loans to customers that are not individually significant (except for unsecured staff loans there are no consumer or mortgage loans) and for individually significant loans where there is not yet objective evidence of individual impairment of a financial asset or a group of financial assets is impaired. Allowances are made for the losses expected as a result of future events that are not recognised. Also known as Incurred But Not Reported (IBNR). Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

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 honor 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 balance sheet 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.

(Thousands of Russian Rubles)

25. Risk management (continued)

Liquidity risk and funding management (continued)

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 2008 and 2007.

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 at 31 December, these ratios were as follows:

	2008, %	*2007, %*
N2 "Instant Liquidity Ratio" (assets receivable or realisable within one day / liabilities repayable on demand)	99.2	22.2
N3 "Current Liquidity Ratio" (assets receivable or realisable within 30 days / liabilities repayable within 30 days)	113.1	62.4
N4 "Long-Term Liquidity Ratio" (assets receivable in more than one year / sum of capital and liabilities repayable in more than one year)	66.0	108.4

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2008 based on contractual undiscounted repayment obligations. 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.

	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 financial instruments	(718,547)	526,158	(1,382,868)	(561)	(1,575,818)
- Contractual amounts payable	(202,928,517)	(90,443,842)	(22,875,669)	(216,412)	(316,464,440)
- Contractual amounts receivable	202,209,970	90,970,000	21,492,801	215,851	314,888,622
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	**94,482,845**	**26,393,359**	**384,950**	**2,106,985**	**123,368,139**

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
As of 31 December 2007					
Amounts due to Central Bank and Government	1,942,776	-	-	-	1,942,776
Amounts due to credit institutions	33,647,582	581,796	2,042,738	-	36,272,116
Derivative financial instruments	(61,124)	25,333	(340,563)	-	(376,354)
- Contractual amounts payable	(155,301,362)	(21,716,554)	(5,643,415)	-	(182,661,331)
- Contractual amounts receivable	155,240,238	21,741,887	5,302,852	-	182,284,977
Amounts due to customers	34,740,805	45,754	-	-	34,786,559
Subordinated loans	102,192	168,447	639,211	3,148,619	4,058,469
Other liabilities	318,813	59,873	-	-	378,686
Total undiscounted financial liabilities	**70,691,044**	**881,203**	**2,341,386**	**3,148,619**	**77,062,252**

(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

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.

The following table represents estimated VaR at 31 December:

	2008	*2007*
Foreign exchange	7,427	7,480
Interest rate	85,474	68,732
Credit Spread	35,415	13,012

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.

(Thousands of Russian Rubles)

25. Risk management (continued)

Market risk (continued)

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.

Credit spread risk

Credit spread risk is the risk of adverse P&L 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, 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 income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2008.

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

	Sensitivity of net interest income 2008	***Sensitivity of net interest income 2007***
Increase in basis points 100	(582)	(3 667)

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.

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 balance sheet date without any deduction for transaction costs.

(Thousands of Russian Rubles)

26. Fair values of financial instruments (continued)

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 balance sheet 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.

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 2008 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	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 Central Bank and Government	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)

27. Maturity analysis of assets and liabilities (continued)

As of 31 December 2007 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	3,484,695	-	-	-	-	-	3,484,695
Trading securities	9,676,809	-	-	-	-	-	9,676,809
Trading securities pledged under repurchase agreements	2,000,237	-	-	-	-	-	2,000,237
Amounts due from credit institutions	22,264,801	3,244,325	413,390	316,183	250,516	1,196,163	27,685,378
Derivative financial assets	351,507	317,548	271,944	126,703	14,899	-	1,082,601
Loans to customers	10,930,662	7,391,787	9,839,307	9,965,031	1,120,960	-	39,247,747
Available-for-sale securities	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	102,775	102,775
Goodwill and other intangible assets	-	-	-	-	-	125,125	125,125
Deferred income tax assets	-	-	-	-	-	123,369	123,369
Other assets	13,702	478,342	18,369	4,325	-	-	514,738
Total	**48,722,413**	**11,432,002**	**10,543,010**	**10,412,242**	**1,386,375**	**1,547,432**	**84,043,474**
Liabilities							
Amounts due to Central Bank and Government	1,939,827	-	-	-	-	-	1,939,827
Amounts due to credit institutions	33,173,465	431,355	537,263	1,972,536	-	-	36,114,619
Derivative financial liabilities	339,500	284,188	300,938	92,132	-	-	1,016,758
Amounts due to customers	33,626,542	1,088,096	44,613	-	-	-	34,759,251
Subordinated loans	-	-	-	-	2,278,389	-	2,278,389
Other provisions	965	38	567	-	-	-	1,570
Other liabilities	12,673	305,138	59,306	-	-	-	377,117
Total	**69,092,972**	**2,108,815**	**942,687**	**2,064,668**	**2,278,389**	**-**	**76,487,531**
Net	**(20,370,559)**	**9,323,187**	**9,600,323**	**8,347,574**	**(892,014)**	**1,547,432**	**7,555,943**
Accumulated gap	**(20,370,559)**	**(11,047,372)**	**(1,447,049)**	**6,900,525**	**6,008,511**	**7,555,943**	**7,555,943**

(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 2008:

	Notes	*RUB*	*USD*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	5	7,842,792	11,789,971	13,148,289	32,781,052
Trading securities	6	8,133,191	424,314	-	8,557,505
Trading securities pledged under repurchase agreements	6	4,316,173	-	-	4,316,173
Amounts due from credit institutions	7	33,028,460	7,958,160	11,062,709	52,049,329
Derivative financial assets	8	24,212,026	-	-	24,212,026
Loans to customers	9	17,789,513	19,866,488	3,701,489	41,357,490
Available-for-sale securities	10	-	2,454	-	2,454
Property and equipment	11	157,620	-	-	157,620
Goodwill	12	125,125	-	-	125,125
Deferred income tax assets	13	412,160	-	-	412,160
Other assets	14	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 and Government	15	16,735,820	-	-	16,735,820
Amounts due to credit institutions	16	30,870,308	12,033,941	13,547,616	56,451,865
Derivative financial liabilities	8	23,845,064	-	-	23,845,064
Amounts due to customers	17	19,157,265	22,142,192	3,996,142	45,295,599
Subordinated loans	18	875,635	796,092	837,720	2,509,447
Other provisions	19	616	10,561	901	12,078
Other liabilities	14	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**

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 2007.

	Notes	*RUB*	*USD*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	5	1,273,372	2,089,480	121,843	3,484,695
Trading securities	6	9,676,809	-	-	9,676,809
Trading securities pledged under repurchase agreements	6	2,000,237	-	-	2,000,237
Amounts due from credit institutions	7	17,745,555	2,403,769	7,536,054	27,685,378
Derivative financial assets	8	1,082,601	-	-	1,082,601
Loans to customers	9	23,974,975	12,478,913	2,793,859	39,247,747
Available-for-sale securities	10	-	-	-	-
Property and equipment	11	102,775	-	-	102,775
Goodwill	12	125,125	-	-	125,125
Deferred income tax assets	13	123,369	-	-	123,369
Other assets	14	107,710	390,912	16,116	514,738
Total		**56,212,528**	**17,363,074**	**10,467,872**	**84,043,474**
Liabilities					
Amounts due to Central Bank and Government	15	1,939,827	-	-	1,939,827
Amounts due to credit institutions	16	19,485,647	14,238,458	2,390,514	36,114,619
Derivative financial liabilities	8	1,016,758	-	-	1,016,758
Amounts due to customers	17	21,495,049	9,933,803	3,330,399	34,759,251
Subordinated loans	18	872,295	679,173	726,921	2,278,389
Other provisions	19	848	405	317	1,570
Other liabilities	14	314,260	19,991	42,866	377,117
Total		**45,124,684**	**24,871,830**	**6,491,017**	**76,487,531**
Net		**11,087,844**	**(7,508,756)**	**3,976,855**	**7,555,943**

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 Group.

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:

	2008			*2007*		
	Parent	***Other ING Group Companies***	***Key management personnel***	***Parent***	***Other ING Group Companies***	***Key management personnel***
Assets						
Amounts due from credit institutions	42,568,859	123,434	-	497,225	2,004	-
Derivative financial assets	20,598,613	157,892	-	609,384	108,565	
Loans to customers	-	-	-	-	-	1,234
Other assets	24	-	-	-	108,034	-
Total assets	**63,167,496**	**281,326**	**-**	**1,106,609**	**218,603**	**1,234**
Liabilities						
Amounts due to credit institutions	25,444,564	149,141	-	13,591,546	354,603	-
Derivative financial liabilities	20,163,899	1,381,467	-	240,062	6,111	-
Amounts due to customers	-	44,660	-	-	680,198	-
Subordinated loans	2,509,447	-	-	2,278,389	-	-
Other liabilities	14,716	3,847	-	22,309	14,767	-
Total liabilities	**48,132,626**	**1,579,115**	**-**	**16,132,306**	**1,055,679**	**-**
Interest income	**936,982**	**2,399**	**34**	**12,274**	**19,167**	**129**
Interest expense	**(1,579,439)**	**(21,050)**	**-**	**(780,957)**	**(82,627)**	**-**
Net fee and commission income	2,779	8,977	-	10,923	237,159	-
Net foreign exchange income	2,635,538	(926,044)	-	(83,936)	199,217	-
Other income	-	-	-	-	119,496	-
Other operating expenses	(43,427)	(74,183)	-	(17,038)	(5,191)	-
Profit for the year	**1,952,434**	**(1,009,900)**	**34**	**(858,734)**	**487,221**	**129**

Compensation of key management personnel was comprised of the following:

	2008	*2007*
Short-term benefits		
Employee compensation	89,248	82,794
Salary related taxes	2,173	2,149
Post-employment benefits		
Contributions to non-state pension funds	428	225
Total key management compensation	**91,849**	**85,168**

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 Central Bank of Russia 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 Central Bank of Russia banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2007, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the years ended 31 December 2008 and 2007.

As of 31 December 2008 and 2007, the Bank's capital adequacy ratio (N1) on this basis was as follows:

	2008	*2007*
Main capital	11,382,140	5,913,656
Additional capital	7,757,832	3,340,124
Less: deductions from capital	(201)	(183)
Total capital	**19,139,771**	**9,253,596**
Risk weighted assets	**87,801,544**	**66,632,135**
Capital adequacy ratio	21.8%	13.89%

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 recognized in the balance sheet.

32. Events after balance sheet date

There were no significant events occurred after the balance sheet date as of 31 December 2008 other than those noted in the other disclosures.