Joint-Stock Bank

“ING Bank Ukraine”

Financial Statements
31 December 2006

These financial statements contain 40 pages

Contents

(in thousands of Ukrainian hryvnias)	*Note*	**2006**	2005
Assets			
Cash		**3,299**	3,857
Balances with the National Bank of Ukraine	*4*	**332,569**	1,046,717
Due from banks	*5*	**519,570**	39,547
Financial assets at fair value through profit or loss	*6*	**139,377**	57,484
Amounts receivable under reverse repurchase agreements	*7*	**479,564**	113,283
Loans and advances	*8*	**1,966,337**	1,310,977
Deferred tax asset	*23*	**4,405**	1,374
Property, equipment and intangible assets	*9*	**8,715**	8,008
Other assets	*10*	**21,150**	10,945
Total assets		**3,474,986**	2,592,192
Liabilities			
Due to banks	*11*	**972,023**	501,966
Current accounts	*12*	**749,872**	1,132,543
Deposits	*13*	**544,289**	376,044
Other liabilities	*14*	**679,463**	332,896
Subordinated liabilities	*15*	**27,270**	27,270
Total liabilities		**2,972,917**	2,370,719
Equity			
Share capital	*16*	**325,042**	131,804
Retained earnings		**177,027**	89,669
Total equity		**502,069**	221,473
Total liabilities and equity		**3,474,986**	2,592,192
Off balance sheet commitments and contingent liabilities	*17*		

The accompanying notes on pages 7 to 40 are an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)	*Note*	**2006**	2005
Interest income	*18*	**201,834**	90,028
Interest expense	*19*	**(70,170)**	(37,556)
Net interest income		**131,664**	52,472
Fee and commission income		**55,488**	49,794
Fee and commission expense		**(23,538)**	(13,031)
Net fee and commission income	*20*	**31,950**	36,763
Gains less losses from dealing in foreign currencies		**21,228**	15,608
Gains less losses from financial assets at fair value through profit or loss		**(18,065)**	4,231
Other income		**428**	660
Operating income		**167,205**	109,734
Salaries and employee benefits		**(25,722)**	(16,887)
General administrative expenses	*21*	**(26,445)**	(16,655)
Depreciation and amortization	*9*	**(3,218)**	(2,551)
Recovery of impairment losses	*22*	**4,145**	319
Operating expenses		**(51,240)**	(35,774)
Profit before tax		**115,965**	73,960
Income tax expense	*23*	**(28,607)**	(18,150)
Net profit		**87,358**	55,810

The accompanying notes on pages 7 to 40 are an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)	**2006**	2005
Operating activities		
Interest received	**185,830**	87,842
Interest paid	**(73,273)**	(33,205)
Fees and commissions received	**54,202**	47,477
Fees and commissions paid	**(22,865)**	(12,289)
Net receipts from securities and foreign exchange	**21,228**	15,525
Operating expenses paid	**(52,166)**	(32,460)
Operating income received	**427**	413
	113,383	73,303
Changes in operating assets and liabilities		
Due from banks	**(35,864)**	(1,414)
Amounts receivable under reverse repurchase agreements	**(366,281)**	(52,105)
Loans and advances	**(653,236)**	(386,414)
Due to banks	**470,057**	(124,678)
Current accounts	**(382,671)**	948,141
Deposits	**168,245**	64,021
Other assets and liabilities, net	**345,444**	47,058
Net cash (used in) from operating activities before tax	**(340,923)**	567,912
Income taxes paid	**(29,191)**	(15,568)
Cash flows (used in) from operating activities	**(370,114)**	552,344
Investing activities		
(Acquisition) proceeds from sale of financial assets at fair value through profit or loss, net	**(89,747)**	18,195
Acquisition of property, equipment and intangible assets	**(4,010)**	(4,776)
Proceeds from sale of property, equipment and intangible assets	**86**	182
Cash flows (used in) from investing activities	**(93,671)**	13,601

(continued)

The accompanying notes on pages 7 to 40 are an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)	**2006**	2005
Financing activities		
Proceeds from issuance of shares	**193,238**	-
Cash flows from financing activities	**193,238**	-
Net (decrease) increase in cash and cash equivalents	**(270,547)**	565,945
Cash and cash equivalents as at 1 January	**1,065,749**	499,804
Cash and cash equivalents as at 31 December	**795,202**	1,065,749
Cash and cash equivalents		
Cash	**3,299**	3,857
Balances with the National Bank of Ukraine	**332,569**	1,046,717
Due from banks, current accounts	**459,334**	15,175
	795,202	1,065,749

The accompanying notes on pages 7 to 40 are an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)	**Share capital**	**Revaluation reserve**	**Retained earnings**	**Total**
Balances as at 31 December 2004	131,804	66	33,859	165,729
Realized gain on sale of securities available-for-sale	-	(66)	-	(66)
Net profit	-	-	55,810	55,810
Balances as at 31 December 2005	131,804	-	89,669	221,473
Issue of shares	193,238	-	-	193,238
Net profit	-	-	87,358	87,358
Balances as at 31 December 2006	**325,042**	**-**	**177,027**	**502,069**

The accompanying notes on pages 7 to 40 are an integral part of these financial statements.

1 Background

(a) Organization and operations

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

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

Being a subsidiary of ING Bank N.V., the Bank performs a significant number of transactions with its parent company (see also note 27).

The head office of the Bank is located at 30-A Spasskaya str., Kiev, Ukraine. The Bank has no branches.

(b) Ukrainian business environment

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

2 Basis of preparation

(a) Statement of compliance

These financial statements comply with the requirements of International Financial Reporting Standards (IFRS). The Bank adopted the revised version of IFRSs that are effective for accounting periods beginning at 1 January 2006. The changes to the accounting policies and their effect on the financial statements are described in note 3(a).

(b) Basis of measurement

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities designated at fair value through profit or loss and securities available-for-sale, except those for which a reliable measure of fair value is not available. Other financial assets are stated in amortized cost.

Property, equipment and intangible assets and share capital are measured at cost adjusted to reflect the effect of the hyperinflationary conditions that existed in Ukraine from 1 January 1991 to 1 January 2001 in accordance with International Financial Reporting Standard IAS 29, *Financial Reporting in Hyperinflationary Economies*.

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The most significant estimates and assumptions are as follows:

Loans and advances. Management estimates the likelihood of repayment of loans and advances based on analysis of individual accounts for individually significant loans, and collectively for loans with similar terms and risk characteristics. Factors taken into consideration when assessing individual loans include collection history with the customer, assessment of the financial performance, timeliness of payments and collateral, if any. Factors taken into consideration when assessing the likelihood of collection for loans assessed collectively include historical loss experience, portfolio delinquency rates and overall economic conditions. Should actual repayments be less than management estimates, the Bank would be required to record additional impairment expense.

Fair value of financial assets at fair value through profit or loss and securities available-for-sale. The fair value of financial assets at fair value through profit or loss and securities available-for-sale represents the price at which a transaction would occur at the balance sheet date in that instrument in the most advantageous active market to which the Bank has immediate access. In estimating the fair value for financial assets, management uses quoted bid prices from an active market.

3 Significant accounting policies

(a) Changes in accounting policies

Certain new IFRSs became effective on 1 January 2006. Listed below are those new or amended standards that are or in the future could be relevant to operations. The changes in accounting policies are applied retroactively unless otherwise stated.

International Financial Reporting Standard IAS 36 *Impairment of Assets* (revised 2005) requires impairment tests of intangible assets not yet available for use and intangible assets with an indefinite useful life to be performed at least annually. The revised International Financial Reporting Standard IAS 36 is applied in accordance with transitional provisions to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2005 and to all other assets prospectively from 1 January 2006.

Amendment to International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement – The Fair Value Option* is effective for annual periods beginning on or after 1 January 2006. The amendment restricts the designation of financial instruments as "at fair value through profit or loss". Management monitors and evaluates the performance of certain financial instruments on a fair value basis in accordance with their investment strategy, and therefore, classifies them as at fair value through profit or loss. Financial instruments that were designated at fair value through profit or loss as at 31 December 2005 complied with the requirements of the amendment and were retained within this category upon its application.

Amendment to International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts – Financial Guarantee Contracts* introduce the financial guarantee contracts concept, and is effective for annual periods beginning on or after 1 January 2006. The amendment requires guarantees that are not insurance contracts to be measured at fair value upon initial recognition. Management chose to treat its guarantee contracts as insurance arrangements (refer to note 3(k)).

International Financial Reporting Interpretation Committee IFRIC 4 *Determining whether an Arrangement Contains a Lease* is effective for annual periods beginning on or after 1 January 2006. The interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.

There was no impact on opening retained earnings arising from the adoption of any of these standards or amendments.

(b) Foreign currency translation

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

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

Currency	**2006**	2005
US dollar (USD)	**5.05**	5.05
Russian rouble (RUR)	**0.19**	0.18
EURO	**6.65**	5.97

As at the date of this report, 1 June 2007, the exchange rate is UAH 5.05 to USD 1.00, UAH 6.79 to EURO 1.00, and UAH 0.19 to RUR 1.00.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading, financial instruments designated at fair value through profit or loss at initial recognition, and derivative financial assets or liabilities. A financial instrument is classified as held-for-trading if it is acquired principally for the purpose of selling it 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.

Management 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 that 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.

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

Loans and receivables include due from other banks, including central banks, loans and advances, and other receivables.

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the intent and ability to hold to maturity, other than those that:

- management upon initial recognition designates as at fair value through profit or loss
- management designates as available-for-sale, or
- meet the definition of loans and receivables.

Available-for-sale assets are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

(ii) Recognition

All financial assets and liabilities, except amounts receivable under reverse repurchase agreements and financial assets at fair value through profit or loss, are recognized in the balance sheet when the Bank becomes a party to the contractual provisions of instrument. All regular way purchases of financial assets, including amounts receivable under reverse repurchase agreements and financial assets at fair value through profit or loss, are accounted for on the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets are measured at their fair values, without any deduction for transaction costs that may be on sale or other disposal, except for:

- loans and receivables that are measured at amortized cost using the effective interest rate method
- held-to-maturity investments that are measured at amortized cost using the effective interest rate method

- 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 less impairment losses.

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 amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates 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.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of all financial assets at fair value through profit or loss are included in the determination of net profit.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in equity. When available-for-sale assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity is included in determination of net profit. When a decline in fair value of available-for-sale assets has been recognized in equity and there is objective evidence that the assets are impaired, the loss recognized in equity is removed from equity and included in determination of net profit, even though the assets have not been derecognized.

For financial assets and liabilities carried at amortized 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.

(vi) Derecognition

A financial asset is derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(d) Impairment

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

(e) Calculation of recoverable amount

Loans and advances

Management reviews its loan portfolio to assess impairment on a regular basis. A loan (or a group of loans) 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 and that event (or events) has an impact on the estimated future cash flows of the loan (or the group of loans) and can be reliably estimated.

Management first assesses whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant. If management determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan has occurred, the amount of the loss is measured as the difference between the loan carrying amount 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’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 may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. In such cases, management uses its experience and judgment to estimate the amount of any impairment loss.

The assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Other financial assets

The recoverable amount of financial assets at fair value through profit or loss and available-for-sale assets is their fair value.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Other non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. If indications of impairment exist, the asset's recoverable amount is estimated. 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.

(f) Reversal of impairment

An impairment loss in respect of a held-to-maturity asset, a loan or a receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

In respect of other financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Reverse repurchase agreements

Securities sold under agreements to repurchase are retained within the Bank's portfolio and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognized in the income statement over the term of the repurchase agreement using the effective interest rate method.

Securities purchased under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognized in the income statement over the term of the reverse repurchase agreement using the effective interest rate method. The receivables due under reverse repurchase agreements are recorded net of provisions for impairment.

(h) Interest bearing borrowings

Interest-bearing borrowings are recognized initially at cost, net of any transaction costs incurred. Borrowings originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar borrowings. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being included in the determination of net profit.

When borrowings are repurchased or settled before maturity, any difference in determination of net profit between the amount repaid and the carrying amount is included immediately in net profit.

(i) Property, equipment and intangible assets

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

The estimated useful lives are as follows:

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

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

(j) Leases

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

(k) Off balance sheet commitments and contingent liabilities

The Bank enters into commitments and assumes contingent liabilities in the normal course of business to meet the financing needs of its customers. These commitments and contingencies include credit instruments that represent varying degrees of risk exposure. The contractual or notional amount of these instruments indicates the level of activity associated with a particular class of financial instruments and is not a reflection of the level of expected losses.

When the Bank enters into contracts to guarantee the indebtedness of its customers, management believes these to be insurance arrangements, and accounts for them as such. In this respect, the Bank treats the guarantee contract as a contingent liability until such time as it becomes probable that the Bank will be required to make a payment under the guarantee.

Guarantee fees are recognized on a straight line basis over the guarantee period.

(l) Income and expense recognition

Interest income and expense are included in the determination of net profit on an accrual basis, taking into account the effective yield/rate of the asset/liability or an applicable floating rate. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Commission income and expense are recognized on an accrual basis.

Fees received in connection with loan originations are netted against the direct costs incurred to grant the loan, and are amortized over the life of the loan as an adjustment to interest income.

(m) Gains less losses from dealing in financial assets

Net gains on financial assets include changes in the fair value of financial assets at fair value through profit or loss and realized gains and losses arising from disposals of other financial assets or liabilities.

(n) Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is included in determination of net profit, except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(o) Employee benefits

Pensions are provided by the State. Mandatory contributions are made by the Bank and employees based on the earnings of the employees. The cost of these contributions is recognized in the income statement when contributions are due and is included in salaries and employee benefits.

(p) Cash flows statement

Cash and cash equivalents include cash in hand, balances with the NBU and current accounts due from banks.

(q) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(r) Comparative information

Corresponding figures as at 31 December 2005 are reclassified to conform to the current year's presentation. UAH 113,283 thousand of financial assets at fair value though profit or loss as at 31 December 2005 are reclassified to amounts receivable under reverse repurchase agreements in these financial statements.

Management believes that such reclassifications result in a more appropriate presentation of the financial statements.

(s) New standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these IFRS financial statements. The changes in accounting policies are applied retroactively unless otherwise stated. Of these pronouncements, the following will potentially have an impact on the financial statements of the Bank:

- Amendment to International Financial Reporting Standard IAS 1 *Presentation of Financial Statements – Capital Disclosures* is effective for annual periods beginning on or after 1 January 2007. This amendment will require increased disclosure regarding capital and how it is measured.

- International Financial Reporting Standard IFRS 7 *Financial Instruments: Disclosures* is effective for annual periods beginning on or after 1 January 2007. IFRS 7 will require increased disclosure in respect of financial instruments and replaces International Financial Reporting Standard IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

- International Financial Reporting Standard IFRS 8 *Operating Segments*, which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the "management approach" to segment reporting.

- International Financial Reporting Interpretation Committee IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 becomes mandatory for the Bank's 2007 financial statements.

- International Financial Reporting Interpretation Committee IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost.

Management is currently studying what effect these new standards and amendments may have on the financial position and results of operations.

4 Balances with the National Bank of Ukraine

The Bank is required by the NBU to maintain an obligatory reserve balance calculated as an average of certain attracted funds over a period of thirty days. The average obligatory reserve amounts to UAH 54,875 thousand for the thirty day period ended 31 December 2006 (2005: UAH 88,635 thousand). The Bank meets the NBU reserve requirements as at 31 December 2006 and 2005.

5 Due from banks

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Current accounts		
ING Group	**59,559**	5,222
Domestic	**4,645**	1,695
OECD countries	**395,130**	8,258
	459,334	15,175
Loans and advances		
Domestic	**59,000**	23,615
Non-OECD countries	**1,236**	-
OECD countries	**-**	757
	60,236	24,372
Total	**519,570**	39,547

A current account of UAH 388,029 thousand, representing 98% of current accounts due from banks in OECD countries, is placed with one bank as at 31 December 2006 (2005: UAH 4,969 thousand, representing 60%).

6 Financial assets at fair value through profit or loss

As at 31 December 2006, financial assets at fair value through profit or loss consist of interest bearing bonds issued by the Ukrainian government and Ukrainian industrial companies amounting to of UAH 9,613 thousand and UAH 129,764 thousand, respectively (2005: UAH 9,974 thousand and UAH 47,510 thousand, respectively). These bonds are traded on the local stock market.

7 Amounts receivable under reverse repurchase agreements

As at 31 December 2006 and 2005, amounts receivable under reverse repurchase agreements relate to interest bearing bonds issued by the Ukrainian government and Ukrainian industrial companies acquired by the Bank and resold subsequent to 31 December 2006 and 2005, respectively.

8 Loans and advances

Loans and advances as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Commercial	**1,702,530**	967,426
Overdrafts	**243,021**	335,719
Retail, including loans to employees	**20,786**	9,956
	1,966,337	1,313,101
Provision for impairment (note 22)	**-**	(2,124)
Total	**1,966,337**	1,310,977

Commercial loans and overdrafts amounting to UAH 1,566,422 thousand are secured by guarantees issued by ING Group entities, which represent 80% of the gross loan portfolio as at 31 December 2006 (2005: UAH 1,073,824 thousand, representing 82%).

Loans and advances granted to the ten largest borrowers amounting to UAH 1,264,056 thousand represent 64% of the gross loans and advances as at 31 December 2006 (2005: UAH 695,789 thousand, representing 53%).

Loans and advances by economic sector as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Food and beverages	**859,802**	379,350
Trade	**352,743**	410,671
Tobacco	**277,790**	139,391
Chemical goods production	**220,421**	172,310
Wood processing	**104,099**	72,976
Machinery	**62,702**	86,724
Technologies	**19,953**	-
Polygraphy	**16,225**	-
Transportation and logistics	**15,740**	-
Mining	**4,000**	8,000
Finance	**1,976**	5,025
Leasing	**-**	26,931
Other	**30,886**	11,723
Total	**1,966,337**	1,313,101

The Bank's lending activities are conducted in Ukraine. The ability of borrowers to repay their debt is dependent on a number of factors including the overall financial health of the borrower and the continued development of the Ukrainian economy.

9 Property, equipment and intangible assets

A summary of activity in property, equipment and intangible assets for the year ended 31 December 2006 is as follows:

(in thousands of Ukrainian hryvnias)	**Leasehold improvements**	**Computers and related equipment**	**Furniture, fixtures and other equipment**	**Total**
Cost				
As at 1 January 2006	3,014	7,733	10,100	20,847
Additions	312	1,296	2,402	4,010
Disposals	-	(394)	(514)	(908)
As at 31 December 2006	3,326	8,635	11,988	23,949
Accumulated depreciation and amortization				
As at 1 January 2006	1,012	5,588	6,239	12,839
Depreciation and amortization	595	1,004	1,619	3,218
Disposals	-	(340)	(483)	(823)
As at 31 December 2006	1,607	6,252	7,375	15,234
Net book value as at 31 December 2006	**1,719**	**2,383**	**4,613**	**8,715**

A summary of activity in property, equipment and intangible assets for the year ended 31 December 2005 is as follows:

(in thousands of Ukrainian hryvnias)	**Leasehold improvements**	**Computers and related equipment**	**Furniture, fixtures and other equipment**	**Total**
Cost				
As at 1 January 2005	3,038	6,347	10,456	19,841
Additions	1,777	1,386	1,613	4,776
Disposals	(1,801)	-	(1,969)	(3,770)
As at 31 December 2005	3,014	7,733	10,100	20,847
Accumulated depreciation and amortization				
As at 1 January 2005	2,322	4,676	7,026	14,024
Depreciation and amortization	460	912	1,179	2,551
Disposals	(1,770)	-	(1,966)	(3,736)
As at 31 December 2005	1,012	5,588	6,239	12,839
Net book value as at 31 December 2005	2,002	2,145	3,861	8,008

10 Other assets

Other assets as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Accrued interest receivable	**14,974**	9,181
Fees receivable	**5,212**	3,926
Other	**1,328**	223
	21,514	13,330
Provision for impairment (note 22)	**(364)**	(2,385)
Total	**21,150**	10,945

11 Due to banks

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Current accounts – Domestic	**1,638**	-
Deposits:		
ING Group	**614,135**	437,798
Domestic	**353,250**	64,168
National Bank of Ukraine	**3,000**	-
	970,385	501,966
Total	**972,023**	501,966

As at 31 December 2005 deposits due to domestic banks amounting to UAH 25,113 thousand were pledged as collateral for guarantees issued by the Bank (2006: nil).

12 Current accounts

Current accounts as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Commercial	**721,657**	1,107,227
Retail	**28,215**	25,316
Total	**749,872**	1,132,543

As at 31 December 2006, the ten largest commercial current accounts amount to UAH 389,042 thousand and represent 54% of commercial current accounts (2005: UAH 1,015,129 thousand, representing 92%).

13 Deposits

Deposits as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Commercial	**541,495**	371,684
Retail	**2,794**	4,360
Total	**544,289**	376,044

Commercial deposits of UAH 20,033 thousand are pledged as collateral for loans issued by the Bank as at 31 December 2006 (2005: UAH 133,696 thousand).

Deposits amounting to UAH 482,703 thousand, or 89% of total commercial deposits are placed with the Bank by its ten largest customers as at 31 December 2006 (2005: UAH 347,625 thousand, or 94%).

14 Other liabilities

Other liabilities as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Amounts received under trust operations	**651,157**	311,740
Taxes payable	**6,560**	3,809
Accrued interest payable	**5,349**	8,452
Bonuses accrued	**5,240**	3,300
Other	**11,157**	5,595
Total	**679,463**	332,896

As at 31 December 2006, amounts received under trust operations amounting to UAH 651,157 thousand relate to funds transferred to the Bank by ING Group banks and banks located in OECD countries to be used for the purchase of corporate bonds and bonds issued by the Ukrainian government on behalf of these banks (2005: UAH 311,740 thousand).

15 Subordinated liabilities

In 2002, the Bank received a long-term subordinated loan of USD 5,400 thousand bearing a variable interest rate of three month LIBOR*1.021%. This subordinated loan matures in 2012. The average interest rate for the year ended 31 December 2006 approximated 5.0% (2005: 3.0%). The subordinated loan agreement does not contain any share conversion terms.

16 Share capital

Share capital as at 31 December is as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Nominal value	**304,761**	111,523
Inflationary adjustment	**20,281**	20,281
Total	**325,042**	131,804

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

The authorized share capital comprises 30,476,092,500 ordinary shares as at 31 December 2006 (2005: 11,152,267,500). All shares have a nominal value of UAH 0.01 as at 31 December 2006 and 2005.

All shares are ordinary and have equal voting, dividend and capital repayment rights. No dividends were declared in 2006 and 2005.

Dividends payable are restricted to the maximum retained earnings of the Bank as determined according to legislation in Ukraine.

17 Off-balance sheet commitments and contingent liabilities

(a) Guarantees

The Bank issued guarantees to its clients amounting to UAH 102,910 thousand as at 31 December 2006 (2005: UAH 146,498 thousand). A major part of guarantees issued is either covered by deposits placed with the Bank or counter-guarantees from Ukrainian banks and ING Group entities.

(b) Commitments to extend credit

The amount of irrevocable commitments to extend credit is UAH 5,921 thousand as at 31 December 2006 (2005: UAH 13,635 thousand). The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(c) Operating lease commitments

The Bank leases operational space in its normal course of business. Future minimum lease payments under non-cancelable operating leases as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Within one year	**4,472**	4,606
From one to five years	**8,328**	18,249
Total	**12,800**	22,855

(d) Tax contingency

The Bank performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which in certain cases may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines and 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. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these financial statements.

(e) Insurance

The insurance industry in Ukraine is in a developing stage and many forms of insurance protection common in other countries are not yet generally available. The Bank has coverage for its equipment and third party liability resulting from operational activities.

18 Interest income

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Loans and advances	**147,231**	66,246
Financial assets at fair value through profit or loss and amounts receivable under reverse repurchase agreements	**36,904**	15,711
Due from banks	**17,699**	8,071
Total	**201,834**	90,028

19 Interest expense

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Due to banks	**22,058**	18,353
Deposits	**24,804**	11,637
Current accounts	**21,887**	6,632
Subordinated debt	**1,421**	934
Total	**70,170**	37,556

20 Net fee and commission income

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Fee and commission income:		
Off-balance sheet transactions	**23,085**	20,894
Operations in foreign exchange and bank metal market for customers	**15,399**	11,286
Operations with securities	**8,349**	8,934
Settlements and cash services	**6,982**	5,726
Credit service to customers	**720**	2,535
Other fee and commission income	**953**	419
Total fee and commission income	**55,488**	49,794
Fee and commission expense:		
Off-balance sheet transactions	**(14,255)**	(10,088)
Settlements and cash services	**(7,024)**	(1,312)
Operations with securities	**(2,166)**	(1,478)
Other commission expense	**(93)**	(153)
Total fee and commission expense	**(23,538)**	(13,031)
Net fee and commission income	**31,950**	36,763

21 General administrative expenses

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Communication	**11,375**	3,689
Rental charges	**4,562**	5,320
Maintenance	**4,206**	3,355
Professional services	**2,707**	972
Travel expenses	**1,191**	563
Taxes, duties and charges	**482**	295
Marketing and advertising	**195**	161
Other	**1,727**	2,300
Total	**26,445**	16,655

22 Recovery of impairment losses

The following is a schedule of movements in the provisions for impairment for the year ended 31 December:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Balance as at 1 January	**4,509**	4,828
Recovery of impairment losses	**(4,145)**	(319)
Balance as at 31 December	**364**	4,509

Provisions for impairment as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Loans and advances (note 8)	**-**	2,124
Other assets (note 10)	**364**	2,385
Total	**364**	4,509

23 Income tax expense

The statutory income tax rate is 25% for 2006 (2005: 25%).

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

(in thousands of Ukrainian hryvnias)	**2006**	2005
Current tax expense	**31,638**	18,474
Deferred tax benefit	**(3,031)**	(324)
Total	**28,607**	18,150

The difference between the total expected income tax expense computed by applying the statutory income tax rate to profit before tax and the reported income tax expense for the year ended 31 December is as follows:

(in thousands of Ukrainian hryvnias)	**2006**	**%**	2005	%
Profit before tax	**115,965**	**100%**	73,960	100%
Computed expected income tax expense at statutory rate	**28,991**	**25%**	18,490	25%
Non-taxable items	**(637)**	**(1%)**	(135)	-
Non-deductible items	**253**	**1%**	821	1%
Change in provision for deferred tax asset	**-**	**-**	(1,026)	(1%)
Effective income tax expense	**28,607**	**25%**	18,150	25%

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

	2006		2005	
(in thousands of Ukrainian hryvnias)	**Asset**	**Liability**	Asset	Liability
Financial assets at fair value through profit or loss	**3,916**	**-**	230	-
Loans and advances	**-**	**-**	531	-
Property, equipment and intangible assets	**193**	**-**	189	-
Other assets	**-**	**(49)**	498	-
Other liabilities	**345**	**-**	-	(74)
Total	**4,454**	**(49)**	1,448	(74)
Net deferred asset	**4,405**		1,374	

Movements in temporary differences during the year ended 31 December 2006 are as follows:

(in thousands of Ukrainian hryvnias)	1 January 2006	Recognized in the income statement	**31 December 2006**
Financial assets at fair value through profit or loss	230	3,686	**3,916**
Loans and advances	531	(531)	**-**
Property, equipment and intangible assets	189	4	**193**
Other assets	498	(547)	**(49)**
Other liabilities	(74)	419	**345**
	1,374	3,031	**4,405**

Movements in temporary differences during the year ended 31 December 2005 are as follows:

(in thousands of Ukrainian hryvnias)	1 January 2005	Recognized in the income statement	31 December 2005
Financial assets at fair value through profit or loss	(91)	321	230
Loans and advances	794	(263)	531
Property, equipment and intangible assets	549	(360)	189
Other assets	114	384	498
Other liabilities	710	(784)	(74)
	2,076	(702)	1,374
Release of valuation allowance		1,026	
Deferred tax benefit		324	

24 Foreign currency positions

Foreign currency positions as at 31 December are as follows:

	2006			2005		
(in thousands of Ukrainian hryvnias)	**USD**	**EURO**	**Other**	USD	EURO	Other
Assets						
Cash	**744**	**1,608**	**91**	2,243	886	6
Due from banks	**415,724**	**5,726**	**58,138**	19,620	4,222	1,956
Loans and advances	**525,123**	**104,951**	**104,099**	537,975	78,626	72,976
Other assets	**2,667**	**907**	**33**	5,459	251	126
Total assets	**944,258**	**113,192**	**162,361**	565,297	83,985	75,064
Liabilities						
Due to banks	**430,888**	**29,929**	**154,956**	348,480	42,399	61,554
Current accounts	**340,443**	**67,914**	**4,534**	139,787	33,448	13,277
Deposits	**144,175**	**9,305**	**-**	32,501	4,115	-
Other liabilities	**1,166**	**23**	**62**	24,878	21,969	114
Subordinated liabilities	**27,270**	**-**	**-**	27,270	-	-
Total liabilities	**943,942**	**107,171**	**159,552**	572,916	101,931	74,945
Net long (short) position as at 31 December	**316**	**6,021**	**2,809**	(7,619)	(17,946)	119

25 Interest rate analysis

(a) Average interest rates

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

	2006			2005		
	UAH	**USD**	**EURO**	UAH	USD	EURO
Assets						
Financial assets at fair value through profit or loss	**13%**	**-**	**-**	13%	-	-
Amounts receivable under reverse repurchase agreements	**11%**	**-**	**-**	11%	-	-
Due from banks	**12%**	**9%**	**-**	9%	6%	-
Loans and advances	**13%**	**8%**	**6%**	10%	6%	5%
Liabilities						
Due to banks	**9%**	**5%**	**4%**	7%	4%	2%
Deposits	**8%**	**3%**	**2%**	6%	3%	2%
Subordinated liabilities	**-**	**5%**	**-**	-	3%	-

(b) Gap analysis

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

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

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2006. Certain financial instruments have floating rates and therefore repriced continuously. All other financial instruments are fixed rated contracts, and therefore the remaining contractual maturity dates also represent the contractual interest rate repricing dates.

26 Maturity analysis

The contractual remaining maturities of assets and liabilities as at 31 December 2006 are as follows:

Description	**Maturity periods**					**Total**
	Within one month	From one to three months	From three months to one year	More than one year	No maturity	
(in thousands of Ukrainian hryvnias)						
Assets						
Cash	3,299	-	-	-	-	**3,299**
Balances with the NBU	332,569	-	-	-	-	**332,569**
Due from banks	519,570	-	-	-	-	**519,570**
Financial assets at fair value through profit or loss	6,106	22,009	67,068	44,194	-	**139,377**
Amounts receivable under reverse repurchase agreements	479,564	-	-	-	-	**479,564**
Loans and advances	1,086,271	532,750	314,907	32,409	-	**1,966,337**
Deferred tax asset	-	-	-	4,405	-	**4,405**
Property, equipment and intangible assets	-	-	-	-	8,715	**8,715**
Other assets	12,576	3,605	4,881	88	-	**21,150**
Total assets	**2,439,955**	**558,364**	**386,856**	**81,096**	**8,715**	**3,474,986**
Liabilities						
Due to banks	767,166	53,857	151,000	-	-	**972,023**
Current accounts	749,872	-	-	-	-	**749,872**
Deposits	415,002	98,503	10,624	20,160	-	**544,289**
Other liabilities	676,540	827	2,096	-	-	**679,463**
Subordinated liabilities	-	-	-	27,270	-	**27,270**
Total liabilities	**2,608,580**	**153,187**	**163,720**	**47,430**	**-**	**2,972,917**
Liquidity gap for the period	(168,625)	405,177	223,136	33,666	8,715	**502,069**
Cumulative liquidity gap	**(168,625)**	**236,552**	**459,688**	**493,354**	**502,069**	**-**

The contractual remaining maturities of the assets and liabilities as at 31 December 2005 are as follows:

Description	**Maturity periods**					**Total**
	Within one month	From one to three months	From three months to one year	More than one year	No maturity	
(in thousands of Ukrainian hryvnias)						
Assets						
Cash	3,857	-	-	-	-	3,857
Balances with the NBU	1,046,717	-	-	-	-	1,046,717
Due from banks	39,547	-	-	-	-	39,547
Financial assets at fair value through profit or loss	-	-	33,848	23,636	-	57,484
Amounts receivable under reverse repurchase agreements	113,283	-	-	-	-	113,283
Loans and advances	799,278	237,643	264,344	9,712	-	1,310,977
Deferred tax asset	-	-	-	1,374	-	1,374
Property, equipment and intangible assets	-	-	-	-	8,008	8,008
Other assets	5,228	1,601	4,116	-	-	10,945
Total assets	2,007,910	239,244	302,308	34,722	8,008	2,592,192
Liabilities						
Due to banks	135,736	334,254	11,943	20,033	-	501,966
Customers' current accounts	1,132,543	-	-	-	-	1,132,543
Deposits from customers	172,338	127,641	65,151	10,914	-	376,044
Other liabilities	328,130	4,652	22	92	-	332,896
Subordinated liabilities	-	-	-	27,270	-	27,270
Total liabilities	1,768,747	466,547	77,116	58,309	-	2,370,719
Liquidity gap for the period	239,163	(227,303)	225,192	(23,587)	8,008	221,473
Cumulative liquidity gap	239,163	11,860	237,052	213,465	221,473	-

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

27 Balances and transactions with related parties

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party when making financial and operational decisions. Terms on transactions with related parties are established at the time of transaction. Related parties comprise entities under common control, members of the Supervisory Board, Management Board and their immediate family.

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

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

Balances and transactions with related parties, substantially all of which are with entities under common control, as at 31 December and for the year then ended are as follows:

(in thousands of Ukrainian hryvnias)	**2006**	2005
Balance sheet		
Due from banks	**59,559**	5,222
Due to banks	**614,135**	437,798
Other liabilities	**411,084**	5,169
Subordinated liabilities	**27,270**	27,270
Income statement		
Interest expense	**14,958**	16,545
Off-balance sheet		
Guarantees received	**2,148,142**	1,880,744

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2006 are as follows:

(in thousands of Ukrainian hryvnias)	**USD**	**Interest rate**	**EUR**	**Interest rate**	**Other**	**Interest rate**
Balances with entities under common control						
Due from banks	1,000	-	5,425	-	53,134	-
Due to banks	429,250	5%	29,929	4%	154,956	2%
Other liabilities	20,784	-	6	-	62	-
Subordinated liabilities	27,270	5%	-	-	-	-

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2005 are as follows:

(in thousands of Ukrainian hryvnias)	**USD**	**Interest rate**	**EUR**	**Interest rate**	**Other**	**Interest rate**
Balances with entities under common control						
Due from banks	719	-	3,566	-	937	-
Due to banks	343,400	4%	32,844	2%	61,554	2%
Other liabilities	3,206	-	1,866	-	97	-
Subordinated liabilities	27,270	3%	-	-	-	-

The contractual remaining maturities of balances with related parties as at 31 December 2006 are as follows:

(in thousands of Ukrainian hryvnias)	Within one month	From one to three months	From three months to one year	More than one year	No maturity	**Total**
Balances with entities under common control						
Due from banks	59,559	-	-	-	-	**59,559**
Due to banks	487,528	50,857	75,750	-	-	**614,135**
Other liabilities	410,679	34	371	-	-	**411,084**
Subordinated liabilities	-	-	-	27,270	-	**27,270**

The contractual remaining maturities of balances with related parties as at 31 December 2005 are as follows:

(in thousands of Ukrainian hryvnias)	Within one month	From one to three months	From three months to one year	More than one year	No maturity	**Total**
Balances with entities under common control						
Due from banks	5,222	-	-	-	-	5,222
Due to banks	91,601	334,254	11,943	-	-	437,798
Other liabilities	1,965	3,182	22	-	-	5,169
Subordinated liabilities	-	-	-	27,270	-	27,270

Remuneration of key management personnel for the year ended 31 December 2006 is represented by short-term employee benefits, which includes salary and bonuses payable in cash amounting to UAH 6,563 thousand (2005: UAH 6,010 thousand).

The key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly and include members of the Management Board.

28 Estimation of fair value

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

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

The fair values of all short-term financial assets and liabilities are assumed to equal their carrying values due to their short-term nature and market interest rates at period end. The fair value of loans and deposits with maturities greater than one year approximates its carrying value because for substantially all loans and deposits, the Bank has the right, and has exercised the right, to change the interest rate when market interest rates change.

29 Risk management

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

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank.

The Bank has policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The Bank also complies with various NBU regulations that limit exposure to companies, groups of companies and related parties. To manage credit risk, the Bank deals with counterparties of good credit standing and, when appropriate, obtains collateral.

The credit policy is reviewed and approved by the Management Board.

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

(b) Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. To manage interest rate risk, management continually assesses market interest rates for different types of interest bearing assets and liabilities. Interest rate risk management is performed by the Assets and Liability Committee and Tariff Commitee.

(c) Liquidity risk

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

Management continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy.

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

(d) Foreign exchange rate risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and continuously monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology.

30 Capital adequacy

Capital adequacy is calculated under the methodology set out by the Bank for International Settlement in the Basel Accord. Tier I capital is represented by share capital, share premium and retained earnings. Tier II capital includes revaluation surplus and subordinated liabilities. The Bank's capital adequacy ratio calculated in accordance with the Basle Accord is 18% as at 31 December 2006 (2005: 14%).

Chairman of the Board
Alexander Pisaruk

1 June 2007

Chief Financial Officer
Sergey Sokolov

KPMG Audit
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Independent Auditors' Report

To the Board of Directors of
Joint-Stock Bank "ING Bank Ukraine"

Report on the Financial Statements

We have audited the accompanying financial statements of Joint-Stock Bank "ING Bank Ukraine" (the Bank), which comprise the balance sheet as at 31 December 2006, 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 misstatements, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 auditor's 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 principles used and 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CJSC KPMG Audit

CJSC KPMG Audit
1 June 2007