Annual Report 2010

ING Bank N.V. Hungary Branch

The English version Annual Report of ING Bank N.V. Hungary Branch is the unauthentic translation of the official Hungarian Annual Report and therefore it is considered solely as an indicative material. Source of the 2010 English Annual Report is the Hungarian version with Independent Auditors' Report.

Az ING Bank N.V. Magyarországi Fióktelepe 2010-es éves beszámolójának angol nyelvű szövege az eredeti magyar nyelven elkészített éves beszámoló nem hiteles fordítása, ezért az angol nyelvű szöveg csak és kizárólag tájékoztató jellegű anyagnak minősül. A 2010-es éves beszámoló hiteles forrása a könyvvizsgálói záradékkal ellátott magyar nyelvű szöveg.

BALANCE SHEET – Assets

Data in HUF million

Description	Opening data 31 Dec 2009	Current year data 31 Dec 2010
1. Liquid assets	**11 300**	**62 572**
2. Government securities	**140 169**	**125 440**
a) trading securities	140 203	125 562
b) investment securities	0	0
2/A Valuation difference on government securities	**-34**	**-122**
3. Receivables from financial institutions	**59 831**	**35 375**
a) on demand	3 471	1 446
b) other receivables from financial services	55 908	33 865
ba) current receivables	55 408	33 865
Of which: - from related parties	32 130	8 008
- from other related parties	0	0
- from the National Bank of Hungary	0	0
- from clearing house	128	2 028
bb) long-term receivables	500	0
Of which: - from related parties	500	0
- from other related parties	0	0
- from the National Bank of Hungary	0	0
- from clearing house	0	0
c) from investment services	452	64
Of which: - from related parties	10	9
- from other related parties	0	0
- from clearing house	426	54
3/A Valuation difference on receivables from financial institutions	**0**	**0**
4. Receivables from customers	**125 283**	**165 726**
a) from financial services	124 075	165 619
aa) current receivables	71 011	69 272
Of which: - from related parties	2 843	1 433
- from other related parties	0	0
ab) long-term receivables	53 064	96 347
Of which: - from related parties	374	589
- from other related parties	0	0
b) from investment services	1 208	107
Of which: - from related parties	0	0
- from other related parties	0	0
ba) receivables from stock exchange investment services	0	0
bb) receivables from OTC investment services	0	0
bc) customer receivables from investment service activities	1 177	103
bd) receivables from the clearing house	0	0
be) receivables from other investment services	31	4
4/A Valuation difference on receivables from customers	**0**	**0**
5. Debt securities	**0**	**0**
a) issued by local governments or other government institutions	0	0
aa) trading securities	0	0
ab) investment securities	0	0
b) issued by other entities	0	0
ba) trading securities	0	0
Of which: - issued by related parties	0	0
- issued by other related parties	0	0
- redeemed treasury shares	0	0
bb) investment securities	0	0
Of which: - issued by related parties	0	0
- issued by third parties	0	0
5/A Valuation difference on debt securities	**0**	**0**
6. Shares and other securities with variable yields	**0**	**0**
a) trading shares and participations	0	0
Of which: - issued by related parties	0	0
- issued by other related parties	0	0
b) variable-yield securities	0	0
ba) trading securities	0	0
bb) investment securities	0	0
6/A Valuation difference on shares and other variable-yield securities	**0**	**0**

Description	Opening data 31 Dec 2009	Current year data 31 Dec 2010
7. Investment shares and participations	**73**	**73**
a) investment shares and participations	73	73
Of which: - participation in financial institutions	0	0
b) adjustment of investment shares and participations	0	0
Of which: - participation in financial institutions	0	0
7/A Valuation difference on investment shares and participations	**0**	**0**
8. Shares and participations in related parties	**0**	**0**
a) investment shares and participations	0	0
Of which: - participation in financial institutions	0	0
b) adjustment of investment shares and participations	0	0
Of which: - participation in financial institutions	0	0
9. Intangible assets	**212**	**227**
a) intangible assets	212	227
b) adjustment of intangible assets	0	0
10. Tangible assets	**456**	**627**
a) tangible assets held for financial services and investment purposes	280	336
aa) property	184	162
ab) technical equipment, machines, fixtures, vehicles	96	95
ac) capital expenditures	0	79
ad) advance payments on capital expenditures	0	0
b) tangibles assets not held for financial services and investment purposes	176	291
ba) property	0	0
bb) technical equipment, machines, fixtures, vehicles	176	291
bc) capital expenditures	0	0
bd) advance payments on capital expenditures	0	0
c) adjustment of tangible assets	0	0
11. Own shares	**0**	**0**
12. Other assets	**1 967**	**1 996**
a) stocks	10	9
b) other receivables	1 957	1 987
Of which: - from related parties	355	21
- from other related parties	0	0
12/A Valuation difference on other receivables	**0**	**0**
12/B Positive valuation difference on derivatives	**8 689**	**13 307**
13. Prepaid expenses and accrued income	**4 741**	**3 142**
a) accrued income	4 498	3 095
b) prepaid expenses	243	47
c) deferred expenses	0	0
Total assets	**352 721**	**408 485**
Of which: - CURRENT ASSETS	293 675	308 069
- FIXED ASSETS	54 305	97 274

Budapest, 10 May 2011

Dr. Salgó István
Chief Executive Officer

Réthy Gyula
Chief Financial Officer

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BALANCE SHEET – Equity and Liabilities

Data in HUF million

Description	Opening data 31 Dec 2009	Current year data 31 Dec 2010
1. Liabilities to financial institutions	**177 126**	**216 850**
a) on demand	5 487	4 647
b) fixed-term liabilities from financial services	170 769	212 155
ba) current liabilities	170 639	212 082
Of which: - to related parties	152 612	148 422
- to other related parties	0	0
- to the National Bank of Hungary	0	0
- to clearing houses	0	0
bb) long-term liabilities	130	73
Of which: - to related parties	0	0
- to other related parties	0	0
- to the National Bank of Hungary	0	0
- to clearing houses	0	0
c) from investment services	870	48
Of which: - to related parties	840	44
- to other related parties	0	0
- to clearing houses	29	0
1/A Valuation difference on liabilities to financial institutions	**0**	**0**
2. Liabilities to customers	**106 936**	**116 733**
a) savings deposits	0	0
aa) on demand	0	0
ab) current liabilities	0	0
ac) long-term liabilities	0	0
b) other liabilities from financial services	106 476	116 125
ba) on demand	61 492	74 430
Of which: - to related parties	8 197	6 940
- to other related parties	0	0
bb) current liabilities	44 984	41 695
Of which: - to related parties	11 606	9 506
- to other related parties	0	0
bc) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
c) from investment services	460	608
Of which: - to related parties	9	592
- to other related parties	0	0
ca) liabilities from stock exchange investment services	0	0
cb) liabilities from OTC transactions	0	0
cc) liabilities from investment services	460	608
cd) liabilities from clearing house	0	0
ce) liabilities from other investment services	0	0
2/A Valuation difference on liabilities to customers	**0**	**0**
3. Liabilities from issued securities	**0**	**0**
a) issued bonds	0	0
aa) current liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
ab) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
b) other issued debt securities	0	0
ba) current liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
bb) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
c) documents not qualifying as debt securities, treated as securities	0	0
ca) trading securities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
cb) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0

BALANCE SHEET – Equity and Liabilities

Description	Opening data 31 Dec 2009	Current year data 31 Dec 2010
4. Other liabilities	**12 487**	**10 537**
a) current liabilities	12 487	10 537
Of which: - to related parties	9 405	6 029
- to other related parties	0	0
- for financial institutions operating as co-operatives: cash	0	0
b) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
4/A Negative valuation difference on derivatives	**6 991**	**16 016**
5. Accrued expenses and deferred income	**3 620**	**2 882**
a) deferred income	529	622
b) accrued expenses	3 087	2 257
c) deferred extraordinary revenues and negative goodwill	4	3
6. Provisions	**1 916**	**1 822**
a) provisions for pensions and severance payment	2	0
b) provisions for contingent and future liabilities (commitments)	97	22
c) general risk provisions	1 209	1 209
d) other provisions	608	591
7. Subordinated debt	**0**	**0**
a) subordinated loan capital	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
b) for financial institutions operating as co-operatives: other cash	0	0
c) other subordinated debt	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
8. Issued capital	**2**	**2**
Of which: - participation redeemed at face value	0	0
9. Issued but unpaid capital (-)	**0**	**0**
10. Capital reserve	**43 643**	**43 643**
a) difference of the nominal value and issuing price of shares and	0	0
b) other	43 643	43 643
11. General reserve	**0**	**0**
12. Retained earnings (+-)	**0**	**0**
13. Tied-up reserves	**0**	**0**
14. Revaluation reserve	**0**	**0**
a) revaluation reserve on value adjustments	0	0
b) fair value reserve	0	0
15. Profit or loss for the year (+-)	**0**	**0**
Total equity and liabilities	***352 721***	***408 485***
Of which: - CURRENT LIABILITIES	303 410	360 063
- LONG-TERM LIABILITIES	130	73
- EQUITY	43 645	43 645

Contingent liabilities	227 452	365 385
Future liabilities	1 015 652	1 675 338
Contingent receivables	9	9
Future receivables	1 024 009	1 683 229

Budapest, 10 May 2011

Dr. Salgó István
Chief Executive Officer

Réthy Gyula
Chief Financial Officer

PROFIT AND LOSS STATEMENT

Data in HUF million

	Description	Opening data 31 Dec 2009	Current year data 31 Dec 2010
1.	**Interest and similar income received**	**29 755**	**24 092**
	a) on fixed-interest debt securities	17 704	15 155
	Of which: - from related parties	0	0
	- from other related parties	0	0
	b) other interest and similar income received	12 051	8 937
	Of which: - from related parties	1 291	988
	- from other related parties	0	0
2.	**Interest payable and similar expenditures**	**10 134**	**5 264**
	Of which: - from related parties	5 497	2 243
	- from other related parties	0	0
	INTEREST MARGIN (1-2)	**19 621**	**18 828**
3.	**Revenues from securities**	**112**	**47**
	a) revenues from trading shares and securities	0	0
	b) revenues from participations in related parties	0	0
	c) revenues from other participations	112	47
4.	**Commissions and fees received or due**	**6 059**	**6 453**
	a) from the revenues from other financial services	4 170	4 085
	Of which: - from related parties	444	614
	- from other related parties	0	0
	b) from the revenues from investment services	1 889	2 368
	Of which: - from related parties	315	364
	- from other related parties	0	0
5.	**Commissions and fees paid or payable**	**2 541**	**2 946**
	a) from the expenditures on other financial services	1 963	2 053
	Of which: - from related parties	52	166
	- from other related parties	0	0
	b) from the expenditures on investment services	578	893
	Of which: - from related parties	15	11
	- from other related parties	0	0
6.	**Net profit/loss on financial operations [6.a)-6.b)+6.c)-6.d)]**	**-2 496**	**-5 518**
	a) from the revenues from other financial services	3 821	1 656
	Of which: - from related parties	234	256
	- from other related parties	0	0
	- valuation difference	0	0
	b) from the expenditures on other financial services	86	5 378
	Of which: - to related parties	0	3
	- to other related parties	0	0
	- valuation difference	0	0
	c) from the revenues from investment services	18 201	11 309
	Of which: - from related parties	364	12
	- from other related parties	0	0
	- reversal of the impairment of trading securities	0	0
	- valuation difference	0	0
	d) from the expenditures on investment services	24 432	13 105
	Of which: - to related parties	321	1 033
	- to other related parties	0	0
	- impairment of trading securities	0	0
	- valuation difference	0	0
7.	**Other revenues from operations**	**834**	**708**
	a) revenues from other than financial and investment services	473	368
	Of which: - from related parties	166	180
	- from other related parties	0	0
	b) other revenues	361	340
	Of which: - from related parties	0	19
	- from other related parties	0	0
	- reversal of impairment of stocks	0	0

	Description	Opening data 31 Dec 2009	Current year data 31 Dec 2010
8.	**General administrative expenses**	**6 863**	**6 965**
	a) payments to personnel	2 914	3 210
	aa) payroll	2 041	2 339
	ab) payments to personnel	192	194
	Of which: - social security costs	37	24
	= pension related costs	8	6
	ac) social security and similar deductions	681	677
	Of which: - social security costs	603	633
	= pension related costs	502	562
	b) material type expenditures (materials and supplies)	3 949	3 755
9.	**Depreciation**	**197**	**261**
10.	**Other expenditures on operations**	**2 086**	**2 979**
	a) expenditures on other than financial and investment services	709	224
	Of which: - to related parties	458	2
	- to other related parties	0	0
	b) other expenditures	1 377	2 755
	Of which: - to related parties	14	0
	- to other related parties	0	0
	- impairment of stocks	0	0
11.	**Impairment of receivables and risk provision for commitments and**	**470**	**35**
	a) impairment of receivables	406	34
	b) risk provisions for contingent liabilities and for (future) commitments	64	1
12.	**Reversal of impairment of receivables and use of risk provision**	**127**	**484**
	a) reversal of impairment of receivables	120	406
	b) use of risk provision made for commitments and contingent liabilities	7	78
	12/A Difference between general risk reserve allocated and used	0	0
13.	**Impairment of investment debt securities**	**0**	**0**
14.	**Reversal of impairment of investment debt securities**	**0**	**0**
15.	**Profit or loss on ordinary activities**	**12 100**	**7 816**
	Of which: - PROFIT ON FINANCIAL AND INVESTMENT SERVICES	12 336	7 672
	Of which: - PROFIT ON OTHER THAN FINANCIAL INVESTMENT	-236	144
16.	**Extraordinary revenues**	**0**	**1**
17.	**Extraordinary expenditures**	**507**	**1 073**
18.	**Extraordinary profit/loss (16-17)**	**-507**	**-1 072**
19.	**Profit before tax (+/-15+/-18)**	**11 593**	**6 744**
20.	**Tax liability**	**2 277**	**732**
21.	**Profit after tax (+/-19-20)**	**9 316**	**6 012**
22.	**General provision made and used (+/-)**	**0**	**0**
23.	**Dividends paid from retained earnings**	**0**	**0**
24.	**Dividends paid (approved)**	**9 316**	**6 012**
	Of which: - to related parties	9 316	6 012
	- to other related parties	0	0
25.	**Profit or loss for the year (+21-/+22+23-24)**	**0**	**0**

Budapest, 10 May 2011

Dr. Salgó István
Chief Executive Officer

Réthy Gyula
Chief Financial Officer

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Notes to the Financial Statements

31 December 2010

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NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2010

1. GENERAL NOTES

ING Bank Rt was established in Hungary in 1991 by ING Bank N.V., a company with headquarters in Amsterdam. In Hungary, this Bank was the first registered financial institution with exclusively foreign ownership, providing a full range of commercial (corporate) banking and limited retail banking services. Pursuant to legislative amendments, “Rt” – the abbreviation referring to the form of business – was replaced by “Zrt” in the Bank’s name and the change was registered by the Court of Registration on 2 May 2006.

On 8 August 2008, ING Bank N.V. established a branch in Hungary called ING Bank N.V. Magyarországi Fióktelepe (hereinafter referred to as “Branch”), which was registered by the Court of Registration on 5 September 2008.

The Bank’s issued capital was HUF 18 589 million on 30 September 2008, and it fully consisted of foreign shares, namely 185 886 registered shares with a nominal value of HUF 100 000 (i.e. one hundred thousand forints) each. ING RÜK Regionális Ügyviteli Központ Kft. and ING Duna Szolgáltató Kft. owned HUF 361 million and HUF 563 million, respectively, of the issued capital on 30 September 2008. All three Companies were fully owned by the Dutch ING Bank N.V. (official address: Bijlmerplein 888, 1102 MG, Amsterdam).

The above described legal structure – ING Bank N.V. was the direct and sole owner of the Companies – enabled the merger of ING Bank Zrt., ING RÜK Regionális Ügyviteli Központ Kft. and ING Duna Szolgáltató Kft. with ING Bank N.V. The merger was implemented in accordance with the provisions of the Dutch Civil Code and Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies and the Hungarian law (Act CXL of 2007) implementing that Directive. The decision on the merger was recorded by ING Bank N.V., as acquiring company, and Bank Zrt., ING RÜK Regionális Ügyviteli Központ Kft. and ING Duna Szolgáltató Kft., as companies being acquired, in a merger agreement dated 8 August 2008. The agreement also specified that the date of transformation would be 30 September 2008 and therefore the last financial year of the acquired companies ended on 30 September 2008. The merger was approved by the Dutch Chamber of Commerce on 2 October 2008.

The assets and liabilities of the acquired companies were transferred by ING Bank N.V. to the Branch as capital contribution, of which HUF 2 million was endowed capital and the rest was other equity contribution. The endowed capital is presented as issued capital, while the other capital contribution is recorded as capital reserve in the books of the Branch, the value of capital reserve being the value of the transferred assets less liabilities. The founder of the Branch is ING Bank N.V. (seat: Bijlmerplein 888, 1102 MG, Amsterdam and was registered by the Registry of the Chamber of Commerce and Industry of Amsterdam under no. 33031431).

The goal of ING Bank N. V. is to remain, through its branch, a recognized integrated financial service provider in the Hungarian money and capital markets. It places great emphasis on constantly providing quality services which can also meet the needs of a wide range of customers and on introducing new (innovative) products. The intention to achieve these objectives is accompanied with the expectation of ensuring adequate profitability, greatly relying on other members of the ING Group that are present in Hungary. This ambition is fully in line with the strategy of the ING Group, whose global organizational structure was (is) designed to enable it, as an integrated financial service provider, to exploit efficiently the cross-selling opportunities inherent in the activities of the banks and the other service providers belonging to the group.

The ING Group announced the complete separation of its bank and insurance operations in October 2009, which is expected to be fulfilled by the end of 2013. ING Group has been preparimg for the structural changes under Readiness project from 2010. In respect of Hungary the project aims physical separation, cancellation and simplification of common operational processes. In 2010 the project did not have any significant impact on the Bank’s performance.

The IT environment of the Branch

Atlas-GBS system

The Branch used the integrated accounting and information system (“Atlas”) from founding till June 2010. The owner’s aim is to standardize the applied systems and processes within ING, so a decision was made to launch a new and up-to-date system (GBS). The migration (from ATLAS to GBS) was performed on 26 June, 2010. GBS system is developed and constantly upgraded by the parent company in Amsterdam.

The business events related to the banking products are recorded in this computer system, and the basis of the Hungarian trial balance complying with the requirements of the accounting law is the trial balance generated by this system. As a specific characteristic of the system, the impact of events which became known after 31 December but before the date of drawing up the balance sheet and affect the preceding year cannot be entered into the system as data of the preceding year. Therefore, the data of the “leafed through” Hungarian trial balance are adjusted by using those data recorded in the journal which pertain to the events that become known in the relevant period and affect the preceding financial year.

EXACT system

The Branch records the accounting entries related to general financial activities (receivables, payables, costs, tangible assets, taxes, etc.) in the Exact Globe 2003 Enterprise system.

System generating the integrated trial balance of the Branch

The entire general ledger as well as the balance sheet and profit and loss account, which are based on the general ledger, are generated as part of a partial internal consolidation carried out by setting off the balances recorded in the two accounting systems. As a result of the method followed by the Branch, the annual financial statements are not only supported by the consolidated Hungarian trial balance, but also by a trial balance generated by the integrated computer system (of the parent company); matching this trial balance to the Hungarian classification of accounts, the journals recording the entries to be adjusted at the time of closing due to chronological differences, and the detailed annexes prepared for the Hungarian trial balance. As supporting documents of the annual financial statements, these documents constitute a unified whole.

The Accounting Policies of the Branch

The Branch summarizes the general and special accounting relationships and the rules of account keeping and financial reporting in its accounting policies based on the methods and valuation procedures laid down in Act C of 2000 on Accounting and Government Decree 250 of 24/12/2000 on the specific obligations of lending institutions and financial enterprise relating to drawing up the annual financial statements and keeping the accounts. In conformity with the individual needs and special form of operation of the Branch, these rules provide a disciplined framework for keeping the accounts during the year and drawing up parts of the financial statements. The accounting policies are reviewed and updated every year.

The accounting policies set out the rules of:

- reporting;
- the valuation of assets and liabilities;
- asset and liability counting;
- cost calculations;
- the recognition of forward, option and swap transactions, and the definition and separate treatment of hedging transactions;
- the management of cash and valuables;
- the management, recording and accountability of supporting documents and forms subject to strict accounting and the checking thereof;
- the settlement of accounts between the branch and the parent company.

Reporting rules

The reporting rules include the definition of the method of keeping the accounts and the contents of the annual financial statements, including the notes and the business report.

With regard to the applicable requirements of Act C of 2000 on Accounting and Government Decree 250 of 24.12.2000 (on the specific obligations of lending institutions and financial enterprise relating to drawing up the annual financial statements and keeping the accounts), as amended, the Branch draws up annual financial statements following the closing of the calendar year to give a view of its operations, equity, financial position and profitability. Pursuant to the regulations applying to lending institutions, the Branch uses double-entry bookkeeping and calculates profit or loss by applying the turnover cost method. The Branch draws up its balance sheet in accordance with Annex 1 to the Government Decree, its profit and loss account with Annex 2 (Profit and Loss Account 1 vertical structure), and its cash flow statement with Annex 3 (required cash flow structure version A)

In respect of 31 December 2010, the date of drawing up the balance sheet was 5 January 2011.

The internal accounting rules of the Branch are designed to ensure that the information needs of the Hungarian Financial Supervisory Authority and the Hungarian central bank (NBH) can be met at any time of the year. The Branch closes its asset and equity & liabilities accounts, expenditure and profit and loss accounts and calculates their balances as at the last day of each month and prepares a trial balance and a summary of contingencies recorded in Account Class 0 to support the reports prepared for the Hungarian Financial Supervisory Authority and the Hungarian central bank (NBH) during the year.

At the quarterly closing, receivables are rated individually on the basis of count results and by observing the requirements of the accounting law, and all justified impairment losses are recognized to the extent defined in the chapter on the special valuation requirements of the Rules for the Valuation of Assets and Liabilities.

Valuation policies

The Branch applies the fair value basis to financial instruments where the accounting law and the Government Decree provide an opportunity to do so. For all assets and liabilities that are not subject to valuation at fair value, the Company uses the historic cost basis.

Fair value method

The Branch uses the fair value method of valuation in compliance with the rules laid down in Articles 59/A to 59/F of the accounting law and 9/A to 9/F of Government Decree 250 of 2000, in accordance with the detailed requirements described in the accounting policies. The main aspects are summarized below:

The Branch applies the rules of valuation at fair value to the following financial instruments:

Securities (securities held for trading and available for sale)
Derivative transactions

Securities held for trading

Interest bearing securities held for trading are recorded in groups and valued at average purchase price, which are re-valued by the GBS system every day on the basis of market prices. The valuation difference shows whether the fair values of these assets exceed or remain below their historic cost (purchase price). Any gains or losses arising on valuation and the historic cost (purchase price) are added up to calculate the book value of these assets to equal their fair value.

The Branch discloses the valuation difference over or below the purchase price of the securities classified as financial instruments held for trading as revenues from and expenditures on trading activities, within the revenues from and expenditures on financial services.

Securities available for sale

Securities available for sale are recorded in groups and valued at average purchase price in the same way as securities held for trading.

Pursuant to the decision of the management of the Branch, marketable securities are re-valued at fair value.

In the case of securities available for sale, the valuation difference shows the fair value exceeding the historic cost (purchase price). It can only be positive, and it is not part of the book value of these assets. The Branch recognizes this valuation difference in the revaluation reserve. If the fair value of an asset is below the historic cost (purchase price) at the time of the valuation, then the valuation difference must be written off against the revaluation reserve of the valuation at fair value and an impairment loss must be recognized if the fair value decreases permanently and significantly.

Derivative transactions

The Branch applies the rules of valuation at fair value to the following derivative transactions:

- forward transactions
- swap transactions
- forward rate agreements (FRA)
- interest rate swaps (IRS)

Financial assets acquired in derivative transactions (forward contracts, option contracts, interest rate swaps, HUF/FX swaps, foreign exchange swaps) are entered into the books at contracted price and re-valued by the Branch at their fair value recognised as revenues from or expenditures on investment services. In this case, the historic cost is the total of the contracted price and the valuation difference, which equals the fair value.

For derivatives, the Company recognizes any revaluation gain as receivable and any revaluation loss as liability for each contract and presents these as individual entries.

Gains arising from revaluation are recognised as revenue from investment services. Losses arising from revaluation are recognised as expenditure on investment services.

At the time of closing a transaction, the Branch derecognizes the valuation difference of derivative contracts for trading purposes recognized earlier either as an item reducing the revenue from investment services, if the difference is positive, or as an item reducing the expenditures on investment services, if the difference is negative.

As the Branch does not enter into derivative contracts for hedging purposes, no such transaction appears in its books.

Detailed description of applied procedures

Securities

The Branch values securities on the basis of market yields published daily by Kepler Capital Markets, an independent leading European broker company. These yields are converted to prices with the help of an application developed by the local IT function. A Bloomberg algorithm is applied for the conversion of yields to prices to ensure consistency between the Front Office system used for bond transactions and the GBS system.

Financial instruments (forward, swap, FRA)

Like bonds, the above money market instruments are valued in the GBS system. As this system does not calculate net present value, it is calculated by an application developed for the ING Central European Region. As a basis of this calculation, GBS provides the value of accumulated interest and the auxiliary application calculates additional adjustments (MtM add-on) to establish the net present value. The yield curves used for the calculation of NPVs are taken from the ING Summit system. Input data for constructing yield curves are fed into Summit from the GMDB (Global Market Database). Zero coupon yield curves are derived from par yield curves for both Summit and the regional application to provide a basis for NPV calculation. These are used to calculate discount factors and NPVs.

Interest rate swaps

Interest rate swaps are recorded in the Summit system. As this product is processed in Amsterdam, the market values are taken from the BEST data warehouse operated in Amsterdam. Valuation is based on the zero coupon yield curves derived from the par yield curves constructed in the Summit system.

Historic cost method of valuation – other valuation rules

The Branch applies the historic cost method of valuation for those assets and liabilities where the rules of valuation at fair value are not applied.

Securities held to maturity

As the fair value method cannot be used for the valuation of financial assets held to maturity, the Branch applies the rules of the historic cost method of valuation. If the book value of an asset permanently and significantly exceeds its market value, the Company recognizes impairment loss for the given asset. If the book value decreases below the original historic cost as a result of impairment losses recognized earlier and the reasons for lower valuation do not exist any more, then the impairment loss must be reversed to an extent which is not higher than the amount of impairment loss recognized earlier.

The Branch considers a difference permanent, if it exists for one year. Significant difference is defined by the Company as 15%.

Other valuation rules

Inventories are valued based on the FIFO method. Inventories are impaired if they have to be scrapped, have been damaged or have become obsolete.

Under the accounting law, impairment loss must be recognised on the basis of the valuation of loans, bank deposits and other receivables at the balance sheet date if the debtor's credit rating has worsened and recovery by the date of maturity is uncertain. When the debtor's credit rating improves, the impairment loss recognized earlier may be reversed. The valuation of receivables (rating, writing off) is governed by the Special Valuation Requirements – Prudent Policies on Lending Activities and the individual decision making powers defined therein.

The Branch regards interest to be contingent at the end of the year, if it is receivable on a *pro rata* basis over the reporting period and decreases due but not received before the balance sheet preparation date, or if it is receivable on a *pro rata* basis over the reporting period but does not decrease due before the balance sheet preparation date and the underlying receivable is rated other than "pass" or "watch".

The Branch regards interest to be contingent before the end of the year, if the amount receivable has not been received within 30 days or the principal receivable is rated other than "pass" or "watch".

Futures and forwards (HUF/FX, FX swap, FRA) and swaps made on the Stock Exchange or traded OTC are recorded as contingencies at the contractual future or forward price until the maturity date specified in the contract. Upon maturity, futures and forwards and the forward component of swap transactions are recognised based on rules applicable to spot sales transactions.

Pursuant to the decision of the Branch, foreign exchange denominated assets and liabilities are re-valued on a daily basis using the official foreign exchange rates published by NBH.

Intangible and tangible assets are written off on a straight line basis over the useful life of the asset. The basis of recognition is the historic cost of the asset (the same as the acquisition value). The residual value is determined for each asset in view of its useful life and information available at the time of commissioning. The Company recognizes amortization and depreciation once a month, before the monthly closing, in both the detailed and the aggregate records. Amortisation starts at the date of capitalization and is recognised up to derecognition when the asset is disposed of. Small value assets (which cost below HUF 100 000) are fully written off at the time of acquisition as defined in the corporate tax act.

If the book value of an asset decreases below its historic cost as a result of the write-offs (extraordinary amortization of intangible assets, extraordinary depreciation of tangible assets, impairment loss of other assets), and the reasons for undervaluation no longer exist, the write-offs must be eliminated. Any recognized extraordinary amortization/depreciation of intangible and tangible assets or the impairment loss of other assets must be reduced to revalue the asset to market value, which may not exceed the historic cost of the asset or, for tangibles and intangibles, the net value of the asset. The amount reversed may not exceed that of the recognized extraordinary depreciation/ amortization or impairment loss.

The amortisation and depreciation rates developed on the basis of expected service life and used for capitalized intangible and tangible assets are the following:

	31 December 2009	31 December 2010
Other concessions, licenses and similar rights	17	17
Software user licences	33	33
Computers (PCs)	33	33
Other IT equipment	33	33
Servers	25*	33
Other technical equipment	33	20 or 33
Other equipment, installations	14.5	14.5
Vehicles	33	33
Improvements on third party property	6-17	6-17

* In 2008 the amortization rate of servers was 33% as well.

The Branch does not have an obligation to prepare consolidated financial statements as at 31 December 2010.

The owner ING Bank N. V. Amsterdam includes in its consolidated financial statements prepared in compliance with the International Accounting Standards accepted by the European Union all shareholdings exceeding 50% – including the Branch – fully. The annual report for the year 2010 is available at www.ing.com.

The owner of ING Bank N. V. Amsterdam, ING Groep N.V. Amsterdam includes our owner in its consolidated financial statements prepared in accordance with similar principles. The annual report for the year 2010 is available at www.ing.com.

Accounting services

Person responsible for leading and managing the accounting tasks performed in the year 2010:

Gyöngyi Steiner	1028 Budapest, Noémi utca 21. registration number: 167986

Auditing the annual financial statements of the Branch

The Branch is qualified as an enterprise under the accounting law and, as such, it must have its annual financial statements audited by an auditor.

The annual financial statements of the Branch are audited by Ernst & Young Könyvvizsgáló Kft. (company registration number: 01-09-267553).

Auditor:

• Gergely Szabó	Address: 1202 Budapest, Mézes utca 35. Mother's name: Zsuzsanna Kis

The fee for auditing the financial statements for the present financial year is HUF 17 million, including VAT. The Branch recognised HUF 4 million as cost of other services provided by the auditor in the reporting period.

The annual financial statements are signed by:

• Dr. István Salgó	ING Bank N.V Hungarian Branch Chief Executive Officer 1023 Budapest, Apostol u. 8.
• Gyula Réthy	ING Bank N.V Hungarian Branch Chief Financial Officer 1028 Budapest, Harmatcsepp u. 11.

2. Specific Notes

The chapter "Specific Notes" contains notes to specific items in the Bank's balance sheet and profit and loss account.

Tangible assets and intangible assets

Under intangible assets, the Branch records concessions, licenses and similar rights, and user licenses for intellectual products. The tangible assets serving the banking activities include IT equipment, while the tangible assets serving non-banking activities include motor vehicles and works of art. Tangible assets do not include any land and buildings and related property rights.

Gross value of tangible and intangible assets

Figures in HUF m

Description	31 December 2009	Purchase	Sale	Capitalization	Other change (reclassification, discarding)	31 December 2010
Intangible assets	**325**	**252**	**0**	**116**	**0**	**461**
Other concessions, licenses and similar rights*	0	0	0	0	0	0
Software user licences	325	252	0	116	0	461
Tangible assets	**577**	**657**	**82**	**289**	**0**	**863**
Tangible assets serving banking activities directly	*356*	*209*	*0*	*65*	*0*	*500*
Improvements on third party property	220	6	0	0	0	226
IT equipment	68	26	0	0	0	94
Other equipment, fittings	68	33	0	0	0	101
Investment	0	144	0	65	0	79
Tangible assets serving banking activities indirectly	*221*	*448*	*82*	*224*	*0*	*363*
Vehicles	211	217	82	0	0	346
Works of art	10	7	0	0	0	17
Investments	0	224	0	224	0	0
Total	**902**	**909**	**82**	**405**	**0**	**1 324**

* value below HUF 1 million

Accumulated depreciation of tangible assets and accumulated amortization of intangible assets

Figures in HUF m

Description	31 December 2009	Ordinary deprecia-tion/amor-tization	Sale	Capitali-zation	Other change (reclassifi-cation, discarding)	31 December 2010
Intangible assets	**113**	**121**	**0**	**0**	**0**	**234**
Other concessions, licenses and similar rights*	0	0	0	0	0	0
Software user licences	113	121	0	0	0	234
Tangible assets	**121**	**140**	**25**	**0**	**0**	**236**
Tangible assets serving banking activities directly	*76*	*88*	*0*	*0*	*0*	*164*
Improvements on third party property	36	28	0	0	0	64
IT equipment	20	25	0	0	0	45
Other equipment, fittings	20	35	0	0	0	55
Investment	0	0	0	0	0	0
Tangible assets serving banking activities indirectly	*45*	*52*	*25*	*0*	*0*	*72*
Vehicles	45	52	25	0	0	72
Works of art	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Total	**234**	**261**	**25**	**0**	**0**	**470**

* value below HUF 1 million

Net value of tangible and intangible assets

Figures in HUF m

Description	31 December 2009	Increase	Decrease	Capitali-zation	Other change (reclassifi-cation, discarding)	31 December 2010
Intangible assets	**212**	**131**	**0**	**116**	**0**	**227**
Other concessions, licenses and similar rights*	0	0	0	0	0	0
Software user licences	212	131	0	116	0	227
Tangible assets	**456**	**517**	**57**	**289**	**0**	**627**
Tangible assets serving banking activities directly	*280*	*121*	*0*	*65*	*0*	*336*
Improvements on third party property	184	-22	0	0	0	162
IT equipment	48	1	0	0	0	49
Other equipment, fittings	48	-2	0	0	0	46
Investment	0	144	0	65	0	79
Tangible assets serving banking activities indirectly	*176*	*396*	*57*	*224*	*0*	*291*
Vehicles	166	165	57	0	0	274
Works of art	10	7	0	0	0	17
Investments	0	224	0	224	0	0
Total	**668**	**648**	**57**	**405**	**0**	**854**

* value below HUF 1 million

Until 31 December 2010, HUF 116 million software user licences had been capitalized. The Branch invested more than HUF 100 million into developments to its existing systems, software maintenances and renewal of licences. At the end of the year, intangible assets included HUF 20 million non-capitalized acquisitions.

HUF 26 million new IT equipment (servers) and HUF 33 million technical equipment were purchased, in addition HUF 6 million were spent on improvements on third party properties.

During the year 39 company cars were purchased,at a value of HUF 217 million, and 29 company cars were sold at a value of HUF 82 million. Two paintings were bought in the amount of HUF 7 million in 2010.

Provisions made and used in the reporting period

As at 31 December 2010 the total value of the provisions in the books of the Branch was HUF 1 822 million.

As at 31 December 2009, the books of the Branch included HUF 97 million provisions for contingent and future liabilities relating to a legal claim with a value of HUF 71 and HUF 26 million provision for derivative deals. In 2010, for derivative deals the Company built additional provision in the amount of HUF 1 million, while released with value of HUF 5 million. As at 31 December 2010, the total provision for derivative deals amounted to HUF 22 million. From the previous years' set provision for legal claims HUF 1 million was released and HUF 70 million was used during 2010, as a consequence there is no legal claim related provision in the Branch's book at the end of 2010.

As at 31 December 2009, the other provision comprised of the following items: HUF 140 million for future office rent, HUF 113 million amortization costs of third party properties improvements, HUF 16 million for redundancies due to reorganization, HUF 90 million for extraordinary costs of card business, HUF 91 million for self-revision of the local municipality tax and HUF 158 million for transfer risk reserve. In the reporting period, the Branch made additional provision HUF 23 million for future office rent and used HUF 24 million provision related to the amortization cost on the improvements on third party properties. The Bank released and used from last years provision for redundancies due to reorganization of the amount HUF 5 million and HUF 6 million respectively. The extraordinary costs relating to card business were paid out in 2010: consequently the previously built provision was entirely used during the year. The set provision in 2009 due to self-revision of local municipality tax was used in 2010. The Company made further provision for transfer risk reserve with value of HUF 176 million corresponding the founder's principles.

The built provision in the amount of HUF 2 million for retirement and severance payment was also used in 2010.

The Bank has not made provisions for general risks from the year 2001. No further provisions for general risks were made or used following the transformation and the foundation of the Branch.

Provisions made and released in the reporting period:

Figures in HUF m

Description	31 December 2009	Increase (made)	Decrease		31 December 2010
			released	used	
Provisions for pension and severance pay	2	0	0	2	0
Provisions for contingent and future liabilities	97	1	6	70	22
Provisions for general risks	1 209	0	0	0	1 209
Other provisions	608	199	5	211	591
Total	**1 916**	**200**	**11**	**283**	**1 822**

Impairment loss recognised and reversed in the reporting period

Impairment loss recognized and reversed in the reporting period were as follows:

Figures in HUF m

Description	31 December 2009	Increase (made)	Decrease		31 December 2010
			released	used	
Impairment of debtors	406	33	406	0	33
Impairment of investment services	230	1	0	0	231
Impairment of other receivables	0	0	0	0	0
Impairment of shares	0	0	0	0	0
Impairment of debt securities	0	0	0	0	0
Total	**636**	**34**	**406**	**0**	**264**

The Branch recorded HUF 34 million impairment loss with respect to doubtful receivables and the HUF 406 million previous years' impairment was used in 2010.

Items under special evaluation rules

Breakdown of book value of receivables, securities and off-balance sheet items under special evaluation rules by asset qualification categories:

Figures in HUF m

Description	Problem-free	Monitoring	Below average	Doubtful	Bad	Total
Government securities	**125 562**	**0**	**0**	**0**	**0**	**125 562**
Historic cost	125 562	0	0	0	0	125 562
Loss on value	0	0	0	0	0	0
Receivables from financial institution	**35 375**	**0**	**0**	**0**	**0**	**35 375**
Historic cost	35 375	0	0	0	0	35 375
Loss on value	0	0	0	0	0	0
Receivables from customers	**162 395**	**3 275**	**0**	**0**	**56**	**165 726**
Historic cost	162 395	3 308	0	0	287	165 990
Loss on value	0	33	0	0	231	264
Contingent liabilities	**365 091**	**252**	**0**	**20**	**0**	**365 363**
Historic cost	365 091	255	0	39	0	365 385
Provision	0	3	0	19	0	22
Future liabilities	**1 675 338**	**0**	**0**	**0**	**0**	**1 675 338**
Historic cost	1 675 338	0	0	0	0	1 675 338
Provision	0	0	0	0	0	0

Owned securities and shares

Owned government securities held for trading

Portfolio held for trading

Figures in HUF m

Description of security	Nominal value	Book value	Valuation difference	Market value
2011/A	22 406	22 531	-88	22 443
2011/B	3 219	3 220	-10	3 210
2011/C	1 100	1 102	*0	1 102
2012/B	2 578	2 583	-4	2 579
2012/C	720	713	-8	705
2013/D	47	47	*0	47
2013/E	3	3	*0	3
2014/C	940	890	-9	881
2015/A	1	1	*0	1
2016/C	1	1	*0	1
2017/A	511	481	-3	478
2017/B	1	1	*0	1
2019/A	*0	*0	*0	*0
2020/A	1	1	*0	1
2023/A	1	1	*0	1
Total	**31 529**	**31 575**	**-122**	**31 453**

* value below HUF 1 million

Figures in HUF m

Description of security	Nominal value	Book value	Accrued interest	Market value
D110105	11 500	11 282	209	11 491
D110119	62	61	*0	61
D110126	6 461	6 350	84	6 434
D110406	6 050	5 889	67	5 956
D110601	10	10	*0	10
D110727	49	48	*0	48
D110921	50	48	*0	48
D111116	10	10	*0	10
MNB110105	419	419	*0	419
MNB110112	70 027	69 870	22	69 892
Total	**94 638**	**93 987**	**382**	**94 369**

* value below HUF 1 million

Portfolio held-to-maturity

The Branch had no held-to-maturity portfolio at year-end 2010.

Securities traded on a stock exchange and in OTC markets in a breakdown by balance sheet item

The table below shows the book values of securities listed in a stock exchange and included in the assets disclosed in the balance sheet in a breakdown by balance sheet items:

Figures in HUF m

Securities traded on a stock exchange and in OTC markets	Current assets		Fixed assets
	Traded on a stock exchange	OTC	
Government bonds	31 575	0	0
Discount treasury bills	23 698	0	0
MNB bond	0	70 289	0
Total	**55 273**	**70 289**	**0**

The Branch does not have any foreign securities.

Owned shares held for investment

Figures in HUF m

Description of share	Face value	Historic cost	Market value
GIRO Zrt.	20	20	20
Hitelgarancia Alapítvány	22	22	22
Garantiqa Hitelgarancia Zrt.	10	10	10
Budapesti Értéktőzsde Zrt.	13	21	21
Magyar SEPA Egyesület *	0	0	0
Shares held as investment *	0	0	0
Total	**65**	**73**	**73**

* value below HUF 1 million

Certain items of assets and liabilities in the balance sheet in a breakdown by maturity

The table below shows in a breakdown by maturity the Branch's receivables and payables arising from financial services provided for a definite period:

Figures in HUF m

Description of balance sheet item	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Receivables	**84 106**	**19 032**	**77 671**	**18 675**	**199 484**
From credit institutions	33 365	500	0	0	**33 865**
From customers	50 741	18 532	77 671	18 675	**165 619**
Payables	**253 657**	**120**	**73**	**0**	**253 850**
To credit institutions	212 027	55	73	0	**212 155**
To customers	41 630	65	0	0	**41 695**

Subordinated debts including subordinated loan capital

As the Company operates as a branch, subordinated debt is not applicable.

Items relating to headquarters, other branches and other related parties

Figures in HUF m

Description	Founder	Other branch	Other related party	Total
Receivables from financial institutions within one year	7 748	260	0	**8 008**
Receivables from financial institutions arising from investment services	4	4	1	**9**
Receivables from customers arising from financial services within one year	0	0	1 433	**1 433**
Receivables from customers arising from financial services over one year	0	0	589	**589**
Other receivables within one year	10	11	*0	**21**
Liabilities to financial institutions within one year	146 427	81	1 914	**148 422**
Liabilities to financial institutions arising from investment services	0	44	0	**44**
Liabilities to customers on demand	0	0	6 940	**6 940**
Current liabilities to customers	0	0	9 506	**9 506**
Liabilities to customer from investment services	0	0	592	**592**
Other liabilities within one year	6 013	*0	16	**6 029**
Other interest and similar income received	708	12	268	**988**
Interest payable and similar charges	1 804	90	349	**2 243**
Commissions received from the revenues from other financial services	321	18	275	**614**
Commissions received from the revenues from investment services	52	33	279	**364**
Commissions paid on the expenditures on other financial services	35	104	27	**166**
Commissions paid on the expenditures on investment services	0	3	8	**11**
Revenues from other financial services	1	*0	255	**256**
Expenditures on other financial services	3	0	0	**3**
Revenues from investment services	10	0	2	**12**
Expenditures on investment services	296	0	737	**1 033**
Other revenues from other than financial and investment services	102	27	51	**180**
Other revenues	*0	17	2	**19**
Other expenditures on other than financial and investment services	*0	*0	2	**2**
Dividends approved	6 012	0	0	**6 012**

* value below HUF 1 million

Prepayments and accruals

The amount of prepaid expenses and accrued income on the balance sheet on 31 December 2010 was HUF 3 142 million (and HUF 4 741 million on 31 December 2009). Accrued expenses and deferred income amounted to HUF 2 882 million on 31 December 2010 (and HUF 3 620 million at 31 December 2009). The details are as follows:

Prepaid expenses and accrued income

Figures in HUF m

Description	31 December 2009	31 December 2010
Accrued income	**4 498**	**3 095**
Interest receivable from Central Bank and financial institutions	57	85
Interest receivable from customers	678	361
Interest receivable on securities	1 606	1 295
Interest receivable from interest rate swaps	1 682	913
Other accrued income	475	441
Prepaid expenses	**243**	**47**
Prepaid expenses	243	47
Total of accrued income and prepaid expenses	**4 741**	**3 142**

Accrued expenses and deferred income

Figures in HUF m

Description	31 December 2009	31 December 2010
Deferred income	**529**	**622**
Deferred commission income	439	547
Deferred guarantee fees	90	75
Accrued expenses	**3 087**	**2 257**
Interest payable to financial institutions	229	166
Interest payable to customers	193	115
Interest payable in connection with interest rate swaps	1 540	955
Other accrued payables	1 125	1 021
Deferred extraordinary revenues	**4**	**3**
Deferred extraordinary revenues	4	3
Total of accrued expenses and deferred income	**3 620**	**2 882**

Changes in shareholders' equity during the year

Figures in HUF m

Description	31 December 2009	Changes in 2010		31 December 2010
		Increase	Decrease	
Issued capital/Dotation capital	2	2	0	2
Capital reserve	43 643	0	0	43 643
General reserve	0	0	0	0
Retained earnings/losses	0	0	0	0
Revaluation reserve	0	0	0	0
Profit or loss for the year	0	0	0	0
Shareholders' equity	**43 645**	**0**	**0**	**43 645**

Endowment capital (Issued capital)

The endowed capital of the Branch amounted to HUF 2 million on 31 December 2010 and is made up of HUF 1 million paid up by the Owner and HUF 1 million of the capital reserve of the acquired Companies transferred to the endowed capital pursuant to the decision of the Founder.

Capital reserve

The capital reserve contains the acquired companies' issued capital, general reserve, retained earnings and profit (or loss) registered as capital contribution at the time of the branch transformation, that amount has not been changed since the merger.

Retained earnings

Retained earnings amounted to zero, the retained earnings (losses) of the acquired Companies were transferred to the capital reserve after the merger and the profit after tax of 31 December 2009 was paid out to the Founder as dividends.

General reserve

Under Article 3/A (2) of Act CXII of 1996, the Branch is not required to make a general reserve, and therefore no general reserve appears in the books.

Liabilities from investment services

The table below shows those amounts from investment services which are due to customers whose bank accounts are managed either by the Branch or another credit institution.

Figures in HUF m

Name of bank account manager	31 December 2009	31 December 2010
Branch	905	649
Other credit institution	425	7
Total	**1 330**	**656**

Contingent liabilities and contingent assets

Contingent liabilities

Figures in HUF m

Description	31 December 2009	31 December 2010
Issued guarantee	24 288	65 607
Unused credit facility	203 024	299 778
Promised guarantees	69	0
Liabilities arising from litigations	71	0
Total of contingent liabilities	**227 452**	**365 385**

Future liabilities

Figures in HUF m

Description	31 December 2009	31 December 2010
Spot transactions	206 672	154 479
Forward transactions	735 086	1 490 062
Security purchase commitment	44 646	9 297
Assigned transactions	15 375	8 420
Forward rate agreements	846	126
Interest rate swaps	13 027	12 954
Term deposit lending	0	0
Total of future liabilities	**1 015 652**	**1 675 338**

Contingent receivables

Figures in HUF m

Description	31 December 2009	31 December 2010
Receivables subject to litigation	9	9
Total of contingent receivables	**9**	**9**

Future receivables

Figures in HUF m

Description	31 December 2009	31 December 2010
Spot transactions	206 505	155 179
Forward transactions	735 784	1 485 302
Security sale commitment	46 117	2 843
Assigned transactions	15 384	8 422
Forward rate agreements	550	200
Interest rate swaps	13 257	12 883
Term deposit placement	6 412	18 400
Total of future receivables	**1 024 009**	**1 683 229**

Other contingent assets and liabilities

Figures in HUF m

Description	31 December 2009	31 December 2010
Third party securities	1 503 874	1 581 484
Guarantee received	4 219	5 537
Securities received	150 696	285 274
Nominal value of FRA purchase	207 124	165 000
Nominal value of FRA sale	75 000	215 000
Nominal value of interest rate swaps	100 000	123 402

Total of third party securities

Figures in HUF m

Type of security	Total nominal value	Place of storage				
		Clearing house	Third party premises	Treasury	Demate-rialized	Printed
Deposited securities	1 555 882	1 553 539	120	2 223	1 517 427	38 455
Consignment securities	25 602	25 597	0	5	23 995	1 607
Total as at 31 December 2010	**1 581 484**	**1 579 136**	**120**	**2 228**	**1 541 422**	**40 062**
Total as at 31 December 2009	**1 503 874**	**1 484 700**	**106**	**19 068**	**1 391 751**	**112 123**

Third party securities deposited

Figures in HUF m

Type of security	Total nominal value	Place of storage				
		Clearing house	Third party premises	Treasury	Demate-rialized	Printed
Foreign government bonds	27 839	27 839	0	0	951	26 888
Investment notes	154 054	154 054	0	0	145 917	8 137
Discount treasury bills	68 770	68 770	0	0	68 770	0
Corporate bonds	5 265	5 265	0	0	4 429	836
Debenture bonds	55 050	55 050	0	0	55 030	20
Compensation notes*	0	0	0	0	0	0
Hungarian government bonds	1 115 372	1 115 372	0	0	1 115 311	61
Shares	129 470	127 127	120	2 223	126 957	2 513
Capital notes	62	62	0	0	62	0
Total as at 31 December 2010	**1 555 882**	**1 553 539**	**120**	**2 223**	**1 517 427**	**38 455**
Total as at 31 December 2009	**1 476 870**	**1 457 701**	**106**	**19 063**	**1 364 752**	**112 118**

* value below HUF 1 million

Third party securities on consignment

Figures in HUF m

Type of security	Total nominal value	Place of storage				
		Clearing house	Third party premises	Treasury	Demate-rialized	Printed
Investment notes	161	161	0	0	159	2
Discount treasury bills	6 668	6 668	0	0	6 668	0
Corporate bonds	1 600	1 600	0	0	0	1 600
Hungarian government bonds	17 168	17 168	0	0	17 168	0
Shares	5	0	0	5	0	5
Total as at 31 December 2010	**25 602**	**25 597**	**0**	**5**	**23 995**	**1 607**
Total as at 31 December 2009	**27 004**	**26 999**	**0**	**5**	**26 999**	**5**

Details of assets received as security or collateral

Securities and collaterals are only entered into the books of the Branch in connection with financial services.

Figures in HUF m

Description of security	31 December 2009	31 December 2010
Cash	90	671
Securities	160	4 743
Assignment of receivables	1 537	8 100
Mortgages	25 735	24 360
Other securities (corporate guarantee)	123 174	247 400
Total	**150 696**	**285 274**

Suspended interests

No suspended interest existed as at 31 December 2010 (in 2009 the Branch recorded suspended interest with value of HUF 4 million).

Contractual value, split by maturity and expected impact on profit or loss of open forward contracts

Spot transactions

The spot foreign exchange purchases and sale transactions are recorded in Account Class 0 amounted to HUF 154 479 million on 31 December 2010, calculated at the applicable MNB exchange rate (on 31 December 2009 the value of these transactions was HUF 206 672 million at MNB exchange rate). These transactions matured by the date of the balance sheet preparation.

Forward transactions

The Branch records forward transactions until their maturity in Account Class 0. At the end of 2010, the year-end value of forward foreign exchange transactions and foreign exchange swap transactions calculated at the applicable MNB exchange rate were HUF 1 490 062 million (on 31 December 2009, the value of these transactions was HUF 735 086 million). The rules of the fair value method of valuation were used to recognize the results of these transactions.

The table below shows forward transactions in a breakdown by maturity:

Figures in HUF m

Maturity	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Total as at 31 December 2010	1 228 606	248 178	13 278	0	1 490 062
Total as at 31 December 2009	537 421	181 373	16 292	0	735 086

Future liabilities from forward rate agreements

Future liabilities of sold forward rate agreements are also recorded in Account Class 0, and their value was HUF 126 million on 31 December 2010 (on 31 December 2009 was HUF 846 million).

Figures in HUF m

Maturity	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Total as at 31 December 2010	94	32	0	0	126
Total as at 31 December 2009	495	351	0	0	846

Interest rate swaps

As a result of interest rate swaps, HUF 12 954 million forward liabilities are recorded as off-balance sheet item at the end of the year (on 31 December 2009 HUF 13 027 million).

Figures in HUF m

Maturity	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Total as at 31 December 2010	1 650	4 069	6 401	834	12 954
Total as at 31 December 2009	3 199	2 852	5 795	1 181	13 027

Forward securities transactions

The Branch records forward securities transactions in Account Class 0 at contractual value. On 31 December 2010, the contractual value of the forward purchases of securities were HUF 9 297 million (on 31 December 2009 HUF 44 646 million). These transactions were matured by the date of the balance sheet preparation.

Assigned transactions

The Branch records the assigned transactions as contingent liabilities in Account Class 0, which value was HUF 8 420 million on 31 December 2010 (on 31 December 2009 HUF 15 375 million).

Fair value of derivatives

As a result of applying the fair value method of valuation, the following revaluations had to be taken into account at 31 December 2010, and the following revaluation differences were recognized in the profit until 31 December 2010:

Revaluation gain on derivatives

Figures in HUF m

Description	31 December 2009	31 December 2010	Impact of revaluation on profit
FX swap transactions	3 380	9 343	5 963
Forward transactions	4 362	3 288	-1 074
Forward rate agreements	536	194	-342
Interest rate swaps	411	482	71
Total	**8 689**	**13 307**	**4 618**

Revaluation loss on derivatives

Figures in HUF m

Description	31 December 2009	31 December 2010	Impact of revaluation on profit
FX swap transactions	3 286	11 689	8 403
Forward transactions	2 545	3 688	1 143
Forward rate agreements	842	188	-654
Interest rate swaps	318	451	133
Total	**6 991**	**16 016**	**9 025**

The aggregate impact of using fair valuation method for derivative transactions was HUF 4 407 million decrease in profit on 31 December 2010 (as at 31 December 2009 a HUF 6 706 million aggregate decrease impact was).

At the time of closing the balance sheet, the books of the Branch did not include any real repurchase transactions, securities lending and borrowing agreements (nor in 2009).

Revenues from and expenditures on investment services

Figures in HUF m

Description	31 December 2009	31 December 2010
Revenues from investment services	**20 090**	**13 677**
Commissions on custody	1 253	1 492
Revenue from brokerage activities	635	876
Revenue from securities trading	9 987	8 520
Fair value of revenue from securities held for trading	228	82
Revenue from interest rate swaps	1 598	794
Revenue from forward rate agreements	6 389	1 913
Expenditures on investment services	**25 010**	**13 998**
Commissions paid on custody	254	276
Expenditure on brokerage activities	324	617
Expenditure on securities trading	7 487	8 550
Fair value of expenditure on securities held for trading	672	170
Expenditure on foreign exchange forward transactions	7 989	1 543
Expenditure on interest rate swaps	1 485	890
Expenditure on forward rate agreements	6 799	1 952

Operational expenses

Operational expenses remained at the last year level, with an overall 2.4% increase coming from a 10% increase in payments to personnel and a 5% decrease in material type expenditures. Comparing to 2009 in the cost structure there were not any significant changes, the personnel and material type expenditures represent 44% and 52% proportion respectively, while the depreciation takes 4%.

The 10% increase of payments to personnel was caused by 15% rise in payroll costs and 1% decrease in the related social charges. The increased payroll costs are partly explained by not executing salary increase during 2009. The social contributions did not follow the increase in payroll costs due to the lower rates of social charges paid by the employer were lower in 2010 during the previous period.

Material type expenditures show decrease, mainly caused by other services used. The replacement of Bank's core system caused further decrease in costs.

Depreciation rose by 32% driven by the procurement of software, IT equipment and new cars in 2010. Within total costs the portion of depreciation is not significant, however the sharp increase contributed to the increased overall cost level.

Figures in HUF m

Description	31 December 2009	31 December 2010
Payroll	2 041	2 339
Payments to personnel	192	194
Social security and similar deductions	681	677
Total of payments to personnel	**2 914**	**3 210**
Material costs	101	88
Material type services used	742	760
Other services used	3 095	2 894
Other costs	11	13
Material type expenditures	**3 949**	**3 755**
Depreciation charge	**197**	**261**
Total costs	**7 060**	**7 226**

Extraordinary revenues and expenditures

Figures in HUF m

Description	31 December 2009	31 December 2010
Extraordinary revenues	**0***	**1**
Extraordinary expenditures	**507**	**1 073**
Amounts transferred free of charge	412	470
Forgiven receivables	81	1
Donations	13	602
Other	1	0

* value below HUF 1 million

Balance sheet structure

The balance sheet total of the Branch in the reporting period was HUF 408 billion, which represents a 16% percent increase compared to the balance sheet total of 31 December 2009. The majority of the assets are current assets (75 %), mainly government securities, receivables from customers and liquid assets. Receivables from customers represent 41 % of the total assets.

Short-term liabilities proportion is 88% out of the total liabilities, and the portion of long-term liabilities is below 1%. More than half of the balance sheet are liabilities towards lending institutions, 29% are short-term deposits of customers.

Foreign currency denominated assets and liabilities expressed in HUF and HUF denominated assets and liabilities within assets and liabilities

Figures in HUF m

Description	Assets 31 December 2009	Assets 31 December 2010	Liabilities 31 December 2009	Liabilities 31 December 2010
FX (expressed in HUF)	102 829	133 493	223 408	175 475
HUF	249 892	274 992	129 313	233 010
Total	**352 721**	**408 485**	**352 721**	**408 485**

HUF denominated assets and liabilities

The value of HUF denominated assets rose by 10% (from HUF 250 billion to 275 billion). The value of securities continued to decrease (form HUF 140 billion to 125 billion), the 46% of the HUF denominated assets are government securities.

HUF denominated liabilities increased by 80% (from HUF 129 billion to 233 billion). Financial institution related balances sums up 39% of the total.

FX denominated assets and liabilities

The value of FX denominated assets rose from HUF 103 billion to 133 billion. FX denominated lending to customers was doubled compared to 2009, while the FX denominated interbank placements dropped.

The value of the FX denominated liabilities decreased (from HUF 223 billion to 175 billion), mainly because of the decrease of FX denominated interbank liabilities.

Highlighted items from the balance sheet

Figures in HUF m

Description	31 December 2009	31 December 2010
Liquid assets	11 300	62 572
Loans denominated in HUF*	55 876	41 531
Loans denominated in FX*	68 199	124 088
Interbank lending denominated in HUF*	27 748	26 538
Interbank lending denominated in FX*	28 160	7 327
Securities held for trading	140 169	125 440
Customer deposits denominated in HUF*	53 157	64 689
Customer deposits denominated in FX*	53 319	51 436
Interbank borrowings denominated in HUF*	3 536	91 591
Interbank borrowings denominated in FX*	167 233	120 564

* items arising from financial services

The balance sheet is analysed on the basis of the highlighted balance sheet items. Essentially, the changes in the balance sheet structure were influenced by four balance sheet lines: significant changes can be observed in liquid assets, receivables from customers, from financial institutions under assets and in short-term liabilities toward financial institutions under liabilities. The value of liquid assets were five times higher compared to 2009, receivables from customers increased by 32%, while receivables from financial institutions fell by 41%. Comparing to the period used for comparison, liabilities towards financial institutions increased by 22%.

The rise of liquid assets is explained by the significant increase in short-term money market placements contracted with National Bank of Hungary.

The general corporate lending activity, following its dynamic growth experienced in the previous years, continued to grow by 32% in 2010, mainly due to the dynamic growth of Structured Products area. Loans with over 1 year maturity increased to a larger extent, while short term loans decreased with a smaller intensity.

Loans given in HUF decreased, while foreign currency debts increased compared to the base period. The proportion of foreign currency loans is significantly higher at the end of 2010. The increasing balance of long-term and FX denominated loans was caused by the growing portfolio of Structured Products and Lending departments.

Liabilities from financial services towards customers rose by 9%. The growth in customer deposits denominated in HUF was higher than the reduction in foreign exchange denominated customer deposits. Under liabilities toward customers the HUF denominated deposits represent 56%. Our customers continue to prefer short-term deposits and current account deposits over long-term deposit facilities.

The value of receivables and liabilities from investment services and the movement therein reflect changes in unsettled securities, which may cause significant variances depending on daily turnover figures. At the end of 2010 the balance of receivables is significantly lower, while the balance of liabilities is higher than it was in the previous period.

Considering the different sectors of the economy, our corporate customers mainly belongs to the processing, energy and retail industries sector similar to preceding year.

The revaluation difference on derivatives show considerable fluctuations in terms of composition and market rates of foreign exchange forward and swap transactions. At the end of 2010, the valuation difference of transactions under forward and swap significantly enlarged compared to those of previous year. The valuation difference of forward rate agreement decreased as a result of the lower numbers of transactions, while the valuation difference of interest rate swaps increased compared to previous year.

Profitability

The Branch's profit after tax as at 31 December 2010 showed 35% decline compared to the profit of the preceding year.

Profitability was influenced by the following factors:

The net interest result decreased by 4%, which is explained by 19% and 48% decrease in interest received and interest paid respectively. During 2010 in money market the decrease in reference rates was a general trend, accordingly the interest of reference rate linked products dropped, which caused the decline in revenue. The lower interest revenue was caused by the increasing FX denominated loan portfolio and the generic fact that the FX rates are much lower than HUF rates. The fall in government security yields contributed to the drop in interest income received. The explanation of decline in interest expenditures – similarly to revenues – was the decreasing interest rates experienced in the market and in the course of 2010 the average balance of borrowings denominated in HUF was lower than in FX.

Our dividends earned on shares amounted to HUF 47 million in 2010.

Our net commissions earned until 31 December 2010 amounted to HUF 3 507 million, which is 0.3% lower than the gain from commissions in 2009 (HUF 3 518 million).

The loss from investment services decreased compared to 2009, which comes from the valuation difference relating to the valuation of derivative transactions at fair value. Within revenues and expenditures on investment services the proportion of securities trading is quite significant. In 2010 the net result of securities trading was a loss amounted to HUF 30 million, while in 2009 the Branch realized a profit with value of HUF 2 500 million. We reached a HUF 96 million loss on interest swap transactions, which was below the HUF 133 million gains in 2009.

Within revenues from investment services (not including trading activities), revenues from custody management play an important role amounted to HUF 1 492, which is increased by 19% (in 2009 HUF 1 253 million). With expenditures on investment services in connection with custody management with value of HUF 276 million increased by 10% as those in the last year. Comparing to previous period the intensity of brokerage activities and the balance of custody investments increased, accordingly the revenues increased by 38% amounted to HUF 876 million (in 2009 HUF 635 million) and expenditures were almost doubled with value of HUF 617 million (in 2009 HUF 324 million).

Other revenues from business operations decreased by 15% compared to previous year. Since the other revenues are not significant among the result of the Branch, they did not have any important effects on the profitability in 2010.

General costs grew only by 2.4% compared to the preceding period. Their detailed analysis can be found in the section on costs in a breakdown by operational expenses.

The line “Other expenditures on other than financial and investment services” include services obtained indirectly, most of which can be classified as material type services used.

The growth in other expenditures is related to increased tax liabilities, especially the imposed additional tax on financial institutions (with value of HUF 1 434 million was paid as bank’s tax in 2010).

In 2010 the Branch took part in film sponsorship, which resulted the increase in extraordinary expenditures.

Interest received by geographical region

Figures in HUF m

Description	Domestic	Within EU	Other	Total
Interest received on securities	15 155	0	0	15 155
Other interest received	7 164	1 743	30	8 937
Total as at 31 December 2010	**22 319**	**1 743**	**30**	**24 092**
Total as at 31 December 2009	**27 540**	**2 148**	**67**	**29 755**

Key indices

Description		31 December 2009	31 December 2010
Return on Equity (ROE)	Profit after tax / shareholders’ equity	21.3	13.8
Return on Assets (ROA)	Profit after tax / total assets	2.6	1.5
Quick ratio	Liquid assets + securities / current liabilities	51.3	54.8
Capitalisation ratio	Shareholders’ equity / total liabilities	12.4	10.7
Fixed asset ratio	Fixed assets / total assets	15.4	23.8
Gross margin of fixed assets	shareholders’ equity / fixed assets	80.4	44.9

3. INFORMATIVE NOTES

Data of employees

Number of employees

	31 December 2009	31 December 2010
Actual number of staff on 31 December	215	214
Annual statistical number of staff	220	217
- of which: part-time employees	55	9

Payroll costs of employees in a breakdown by employee groups

Payroll costs in a breakdown by employee groups:

Figures in HUF m

Description of employee group	31 December 2009	31 December 2010
Payroll costs of full-time employees	1 681	2 288
Payroll costs of part-time employees	360	51
Total	**2 041**	**2 339**

Other payments to personnel

Figures in HUF m

Description	31 December 2009	31 December 2010
Meal, working clothes, relocation and vehicle cost reimbursement, allowances, travelling to and from work	32	27
Other payments (entertainment expenses, per diem, life insurance, etc.)	34	44
Non-repayable support provided by employer	3	1
Severance pay	4	0
Fringe benefits	119	122
Total	**192**	**194**

Payments, advancements and loans to directors, supervisory board members and senior executives

As the Company operates as a branch, it does not have a Board of Directors and a Supervisory Board.

Items adjusting the corporate tax base

In 2010, the corporate tax base determined in the general ledger was reduced by HUF 972 million and increased by HUF 1 286 million to arrive at the corporate tax base in line with corporate tax act.

The corporate tax liability calculated for the year 2010 was HUF 732 million, of which HUF 2 285 million was paid in advance. The Branch did not have solidarity surtax liability in the reporting period.

Pursuant to the decision of the owner, the full amount of the profit after tax was paid out as dividends.

Figures in HUF m

Description	31 December 2009	31 December 2010
Profit before tax	**11 593**	**6 744**
Items increasing the tax base	**1 126**	**1 286**
Amounts transferred free of charge	412	470
Provisions for future liabilities and expenses	381	200
Amortization/depreciation in accordance with accounting law	227	318
Costs incurred outside the normal course of business	13	50
Penalties, fines	3	91
Forgiven debt	81	1
Debt assumption	1	0
Costs identified by self-correction	8	156
Other items increasing the tax base	0	0
Items reducing the tax base	**1 465**	**972**
Released provisions for future liabilities and expenses	336	294
Amortization/depreciation in accordance with corporate tax law	206	299
Due to interest income from abroad	0	244
Dividends received	112	47
100 % of local business tax	795	0
Donations to foundations	14	15
Revenues identified by self-correction	2	73
Other items reducing the tax base	0	0
Tax base	**11 254**	**7 058**
Corporate tax	1 801	1 321
Solidarity surtax	476	0
Calculated tax	**2 277**	**1 321**
Tax allowances	**0**	**589**
Film sponsorship	0	589
Tax liability	**2 277**	**729**
Paid tax in abroad	0	3
Total tax liability	**2 277**	**732**
Profit after tax	**9 316**	**6 012**
General provision made and used	0	0
Dividends paid from retained earnings	0	0
Dividends approved	9 316	6 012
Profit for the year	**0**	**0**

Cash Flow Statements 2010

Figures in HUF m

		Description	31 December 2009	31 December 2010
1	+	Interest received	**29 755**	**24 092**
2	+	Revenues from other financial services	7 991	5 741
3	+	Other revenues	31	124
4	+	Revenues from investment services	28 135	18 523
5	+	Revenues from other than financial and investment services	473	368
6	+	Dividends received	112	47
7	+	Extraordinary revenues	0	1
8	-	Interest paid	10 134	5 264
9	-	Expenditures on other financial services	2 049	7 431
10	-	Other expenditures	1 059	2 556
11	-	Expenditures on investment services	25 914	14 349
12	-	Expenditures on other than financial and investment services	709	224
13	-	General administrative expenses	7 060	7 226
14	-	Extraordinary expenditures	507	1 073
15	-	Tax liability	2 277	732
16	-	Dividends paid	9 316	6 012
17	**Operating cash flows** (Lines 01 to 16)		**7 472**	**4 029**
18	+ / -	Movements in liabilities	-116 956	47 572
19	+ / -	Movements in receivables	9 995	-15 644
20	+ / -	Movements in stocks	-6	0
21	+ / -	Movements in securities recorded under current assets	36 558	14 640
22	+ / -	Movements in securities recorded under fixed assets	0	0
23	+ / -	Movements in investments	0	-79
24	+ / -	Movements in intangible assets	7	-14
25	+ / -	Movements in tangible assets	67	-93
26	+ / -	Movements in prepaid expenses and accrued income	5 647	1 599
27	+ / -	Movements in accrued expenses and deferred income	-4 686	-738
28	+	Shares issued at sales price	0	0
29	+	Non-repayable liquid assets received in accordance with law	0	0
30	-	Non-repayable liquid assets transferred in accordance with law	0	0
31	-	Nominal value of redeemed own share, property note	0	0
32	**Net cash flows** (lines 17 to 31)		**-61 902**	**51 272**
	Of which:			
		- movements in cash	172	-32
		- movements in money on accounts	-62 074	51 304

Other

Under Annex 1 to Decree 5 of 12/02/2004 of the Ministry of Finance on reporting obligations to the Hungarian Financial Supervisory Authority, the Hungarian branches of companies with a seat abroad are not required to report on loans classified as carrying high risks, on securities, shares, notes, cheques, assumed liabilities or on receivables from financial leases.

The amounts owed to the customers of the ING Bank N.V. Hungarian Branch arising from the placement of deposits are guaranteed under the terms and conditions of the Dutch Deposit Guarantee Scheme, whose scope cover both ING Bank N.V. and the ING Bank N.V Hungarian Branch. As the ING Bank N.V. Hungarian Branch is already a member of a deposit guarantee scheme, as required under Directive 94/19/EC of the European Parliament and the Council (the Dutch Deposit Guarantee Scheme), the ING Bank N.V. Hungarian Branch is not a member of the Hungarian Deposit Guarantee Fund under Article 97(3) of Act CXII of 1996 on lending institutions and financial companies. Therefore, no payment was made into the Hungarian Deposit Guarantee Fund in the financial year.

The amounts owed to the customers of the ING Bank N.V. Hungarian Branch arising from the use of investment services are guaranteed under the terms and conditions of the Dutch Investor Compensation Scheme, whose scope cover both ING Bank N.V. and the ING Bank N.V. Hungarian Branch. As ING Bank N.V. Hungarian Branch is already a member of an investor compensation scheme, as required under Directive 97/9/EC of the European Parliament and the Council (the Dutch Investor Compensation Scheme), the ING Bank N.V. Hungarian Branch is not a member of the Hungarian Investor Compensation Fund under Article 211(1) of Act CXX of 2001 on capital markets. Therefore, no payment was made into the Hungarian Investor Compensation Fund in the financial year.

None of the liabilities disclosed in the balance sheet is secured or encumbered by mortgage or similar rights.

As the Branch was not engaged in research and development, no such costs were recognised. One of ING's business principles is the responsibility towards the environment. During our daily work we take care of the protection of the environment and at the same time no directly environment related costs came to light in the reporting period.

Budapest, 10 May 2011

Dr. István Salgó	Gyula Réthy
Chief Executive Officer	Chief Financial Officer

Management Report

December 31, 2010

The economic environment

In 2010 the recovery from the deep economic crisis and recession has started. Although the growth slightly exceeded the original expectations and, finally, the gross domestic product grew by 1.2% during the year, the internal market remains obsessed. The favourable performance of Hungary was primarily due to that the German economy was growing more than expected.

The new government - formed in the spring of 2010 - has committed itself to significant debt reduction and to the Headroom figures in the Convergence Program. Several measures of the new government negatively affected the multinational companies: substantial additional tax was imposed on the financial sector and the pension system was reformed, which greatly weakened the sector's profitability.

Hungary was down graded to the lowest level by the major international credit rating agencies within the investment grade category. They expressed their concern, that the long-term sustainability of public finances is not guaranteed. However, the Government has committed itself to a structural converter plus, which will be developed and introduced during 2011. The objectives of the new economic policy are increasing employment and reducing public debt.

The foreign currency loans are still a huge burden on households. The strengthening of Swiss franc caused the increase of late and non-performing loans ratio, and greatly limited the domestic consumption. The repayment willingness was further deteriorated by the eviction moratorium which has introduced and repeatedly extended by the government. Lending activity was subdued throughout the year, despite the fact that the forint interest charges decreased significantly during the year.

Both the corporate and the household sector's net savings position continued to improve, so that the country's current account balance has accumulated significant assets in 2010. Moreover, the subdued domestic consumption and the high performing export has resulted a record-sized foreign trade surplus.

The public debt of Hungary was financed from the market in 2010. The bond issue rate was close to pre-crisis levels occasionally. Purchasing of Hungarian government bonds has also become more attractive to the foreigners. The volume of foreign own bonds increased significantly during the second half of the year. The interbank market liquidity has improved a lot.

In 2011 the boom can continue, but domestic demand is expected to have only a small contribution to growth. Upturn in the credit market is highly influenced by the Swiss franc exchange rate, but moderate recovery of loans is expected.

The Consumer Price Index was sustained above 3% but due to the international supply-price squeeze it can stick between 3-4%. The forint interest rates may remain unchanged, the interest rate premium of Hungary may even decrease because of the improved fiscal situation and declining government debt. The significant foreign trade and capital account surplus can greatly stabilize the forint exchange rate.

Financial result

ING Bank N.V. Hungary Branch closed its 2010 financial year with an after-tax profit of HUF 6 012 million, representing a 35% year-on-year decrease compared to the previous year.

Year 2010 is characterized by continually shrinking interest rate environment; the contraction negatively affected business processes, especially the volume of the trading transactions relapsed. The profitability of bank's derivative transactions and revaluation results has negatively changed, showing a serious decline over the previous year. The third element of the massive decline in profit after tax is the additional tax - imposed on financial institutions - should also be mentioned.

In spite of the adverse operating environment and central projects the Branch has still managed to keep the same expense level as in 2009 due to the cost savings and efficiency improvement measures, achieved in previous years. The amount of general administrative expenses (HUF 6 965 million) shows 1.5% nominal increase compared to the previous year.

The Bank's balance sheet total increased from HUF 352 721 million to HUF 408 485 million. The change (16%) was primarily due to financial markets activities. In parallel, the Lending Business Line (Structured Finance and General Lending together) further improved by 32%, the short-term loan portfolio decreased, but the long-term loan portfolio significantly increased compared to previous year.

Financial Markets Trading Business Line

The year 2010 can be subscribed by heightened volatility. Extreme movements of the prices could be witnessed in May and June. In the background we can find fear regards the size of budget deficits in the European Union's periphery. The Trading department managed to realize sizeable revenue, though not as big as in the year 2009.

Trading activity was preserved at high level by sufficient liquidity and tighter spreads of the quotes. ING Bank N.V. Hungary Branch managed to maintain its market maker position among changing circumstances.

Financial Markets Sales Business Line

In 2010 FM Sales team worked on the replacement of the turnover fall experienced in foreign exchange products. Rising of the trading volumes was not easy because of the economic crisis, clients only restarted hedging deals gradually. According to this the weight of structured transactions decreased compared to earlier years, but on the other hand some domestic and foreign events provided some volatility to the exchange rate of the Hungarian Forint, which explains the fluctuation of the turnover.

Sales expanded in the Corporate and also the FI area with significant acquisitions and tried to keep the actual portfolio by organizing several client trainings and events. Beside spot and forward foreign exchange transactions, commodity market deals and structured deposits were also getting ground, which can be the basis for a the growth in the coming years as well.

Payment and Cash Management Services Business Line

Payments and Cash management services remain basic and strategic offerings of ING Bank in Hungary. In line with this statement, PCM has extended its payment and liquidity management services, mostly via the regional development of the underlying operational systems. The high level of straight through and automated processing of payments ensures the accuracy and swiftness of these services and distinguishes the Bank as one of the preferred providers amongst the top corporate segment. At the same time ING Bank in Hungary endeavours expanding its offering by the local adaptation of best practices applied in other locations of our international network.

ING Bank, as one of the forerunners of those European banks that are the founders and main supporters of the Single Euro Payments Area (SEPA) initiative has played a serious role in the implementation of the various phases and steps of SEPA. The Hungarian branch is a member and supporter of the Hungarian SEPA Association. As of the end of 2010 the Bank has launched the internal development and project aiming at the introduction of the intra-day clearing based on SEPA standards as of July, 2012.

In the course of 2010 we have decided upon the adoption of ING Cards Amsterdam's EMV-compliant, charge card solution as of January, 2011.

Lending Business Line

In the first half of 2010 the asset size of the lending portfolio decreased while in the second half it started to grow. The growth was caused by a few large ticket transactions.

The income on lending has significantly increased compared to 2009. Both the portfolio and the margin grew, the latter was caused by the increase of the liquidity premium on medium and long term loans. The shift of the portfolio towards longer tenor loans improved profitability.

The quality of the portfolio is stable and good thanked to the conservative and consistent lending practice.

In 2011 we expect that the asset size of the portfolio will further expand as we continue to focus on our prudent but intensified acquisition strategy.

Structured Finance Business Line

The results of the Structured Finance department in 2010 are even exceeded the results of 2009, which was the most successful year previously both from result and income point of view.

The department reached outstanding results in all of its business areas including classical structured finance (syndicated loans, LBO finance, project finance and related advisory activity), facility and security agency and corporate finance advisory activity.

The financing area, including both structured and syndicated finance activity, beyond the handling of the existing portfolio, participated in new transactions considered as land marking on the Hungarian market.

The corporate finance advisory area obtained and executed number of new mandates successfully in the energy and utilities sectors.

The existing Facility and Security Agency portfolio is further increased.

The department is participated in structuring derivative transactions together with Equity Market department in 2010.

The Structured Finance department is expected to continue its successful and effective activity in the existing business segments in 2011.

Equity Markets Business Line

During 2010, there were no major positive changes in the flows of capital markets that started back in 2008. Furthermore, some unfavourable elements – e.g. decreasing stock exchange turnover – have further intensified. Institutional investors generated low activity due to risk aversion and because of the uncertain economic situation in Hungary. As a consequence, fee income of the business unit was lagging behind expectations. In line with ING's business policy, the business unit was not servicing retail clients, therefore this clientele could not compensate for lost income either.

In the fourth quarter of the year, the attempts of the Government for winding up the private pension funds have started to show results: the activity of domestic institutional investors has collapsed due to the uncertain situation. The liquidation of private pension funds and the melting down of assets under management to only a fraction of the previous amounts will result negatively on the money and capital markets, and will cause significant loss on income for the business unit as well.

Despite the unfavourable developments on the markets, the business unit has reached positive results during 2010: the number of clients increased in terms of foreign investors, market shares were maintained, and according to the Thomson Extel Survey, ING remained as one of the top investment service providers and research houses in Hungary and in the region. As a result of efficient cost control, the business unit has maintained its profitability even in this difficult environment.

Securities Services and Correspondent Banking Business Line

The continuously improving market conditions ensured more favourable environment for the Securities Services and Correspondent Banking Services area from the fourth quarter of 2009. This improving tendency that could be experienced worldwide and in Hungary as well decayed in June 2010 and changed to a rather stagnating environment that had similar effect on the revenues of the department.

Private pension funds constitute a significant part of the clientele of this area; elimination of their fee income in the last two months of 2010 had a negative effect on the growth of the asset size and also on the income.

The revenue from the correspondent banking services – due to the long-continued crisis – remained under the projected.

Though the income of the Securities Services and Correspondent Banking Services department exceeded the 2009 level, it was still 5% below under the budget.

Human Resources and Leadership Development

The Branch had 214 active employees on 31 December 2010. Comparing to the end of 2009 level (215 employees) this is 0.5% reduction. The maintenance of organizational effectiveness is achieved by – beside the headcount stabilization and maintaining the HR costs level – using dedicated training resources.

Credit, Market and Operational Risk Management

Since 2008 ING Bank Budapest Branch runs an integrated Risk Management model that brings corporate lending, counterparty risk management, market risk management and product control area, as well as operational risk management, IT and physical security areas under one roof. The main role of Integrated Risk Management continues to be to ensure compliance with local regulation, global ING policies and specific local procedures. Activity and operation of our Branch continued to stay in line with the strategy and risk appetite of ING Group during 2010 as well. Similarly to previous years our bank continued to ensure good profitability and stable liquidity. There was no operational or physical security incident that would have negatively influenced going concern operation or profitability.

Our Bank's liquidity continues to be stable. This is supported mainly by continuously available funding limits established for us by our Amsterdam Head Office and up to a lesser extent local customer deposits and interbank sources. The level of liquidity premium resulted by the financial crisis and applied by Amsterdam have not changed significantly compared to 2009, and still not applied for shorter than 1 year tenor. We continued to focus on the efficient management of counterparty and market risk management limits. Our counterparty and market risk management limits built in 2009 was not significant and it has further decreased during 2010. This is considered as an excellence performance within the section and within the region.

No significant events have occurred that affected the bank financials between the closing of the books and the preparation of this Management Report.

Budapest, 10 May 2011

István Salgó	Gyula Réthy
Chief Executive Officer	Chief Financial Officer