Independent Auditors' Report
issued on the 2007 Annual Report
and Business Report
of ING Bank Zrt.

This is an English translation of the statutory Annual Report and the Business Report, and the Independent Auditors' Report thereon issued in Hungarian. In case of any differences, the Hungarian language original prevails.

KPMG

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KPMG

KPMG Hungária Kft.
Váci út 99.
H-1139 Budapest
Hungary

Telefon: +36 (1) 887 71 00
+36 (1) 270 71 00
Telefax: +36 (1) 887 71 01
+36 (1) 270 71 01
e-mail: info@kpmg.hu
Internet: www.kpmg.hu

This is an English translation of the Independent Auditor's Report on the 2007 statutory Annual Report of ING Bank Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory Annual Report it refers to.

Independent Auditor's Report

To the shareholder of ING Bank Zrt.

We have audited the accompanying 2007 annual report of ING Bank Zrt. (hereinafter referred to as "the Company"), which comprises the balance sheet as at 31 December 2007, which shows total assets of HUF 452,657 million and retained profit for the year of HUF 0, and the income statement for the year then ended, and the supplementary notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the annual report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual report based on the audit and to assess whether the business report is consistent with the annual report. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work with respect to the business report was limited to the assessment of the consistency of the business report with the annual report, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

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

Opinion

We have audited the annual report of ING Bank Zrt., its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the annual report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. In our opinion, the annual report gives a true and fair view of the financial position of ING Bank Zrt. as of 31 December 2007, and of its financial performance and of the result of its operations for the year then ended. The business report is consistent with the disclosures in the annual report.

Budapest, 28 April 2008

KPMG Hungária Kft.
1139 Budapest, Váci út 99.
Chamber registration number: 000202

John Varsányi
John Varsányi
Partner

Nagy Zsuzsanna
Nagy Zsuzsanna
Registered Auditor
Identification number: 005421

ING BANK ZRT
BALANCE SHEET - Assets

Data in HUF million

Description	Previous year data 2006	Current year data 2007
1. Liquid assets	**19 639**	**27 843**
2. Government securities (rows 4+5)	**29 435**	**201 688**
a) held for trading	24 991	196 797
b) held-to-maturity	4 452	4 516
/A Revaluation difference on government securities	-8	375
3. Receivables from credit institutions(rows 25+30)	**66 991**	**115 664**
a) on demand	3 612	8 862
b) other receivables from financial services	63 379	105 569
ba) short-term	63 379	102 815
of which: - from related companies	29 811	33 450
- from companies in other holding relationships	0	0
- from the NBH	0	0
- from the clearing house	0	128
bb) long-term	0	2 754
of which: - from related companies	0	0
- from companies in other holding relationships	0	0
- from the NBH	0	0
- from the clearing house	0	0
c) from investment services	0	1 233
of which: - from related companies	0	81
- from companies in other holding relationships	0	0
- from the clearing house	0	1 149
/A Revaluation difference on receivables from credit institutions	0	0
4. Receivables from customers	**82 464**	**76 335**
a) from financial services	81 121	71 747
aa) short-term	64 937	62 708
of which: - from related companies	0	0
- from companies in other holding relationships	0	0
ab) long-term	16 184	9 039
of which: - from related companies	0	0
- from companies in other holding relationships	0	0
b) from investment services	1 343	4 588
of which: - from related companies	27	2
- from companies in other holding relationships	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	671	4 587
bd) receivables from organisations performing clearing house activities	286	0
be) receivables from other investment services	386	1
/A Revaluation difference on receivables from customers	0	0
5. Debt securities, including those with fixed interest	**0**	**0**
a) securities issued by local governments and other state bodies (not including government securities)	0	0
aa) held for trading	0	0
ab) held to maturity	0	0
b) securities issued by other parties	0	0
ba) held for trading	0	0
of which: - issued by related companies	0	0
- issued by companies in other holding relationships	0	0
- own securities repurchased	0	0
bb) held to maturity	0	0
of which: - issued by related companies	0	0
- issued by companies in other holding relationships	0	0
/A Revaluation difference on debt securities	0	0
6. Shares and other securities with variable yields	**0**	**0**
a) shares and holdings held for trading	0	0
of which: - issued by related companies	0	0
- issued by companies in other holding relationships	0	0
b) variable yield securities	0	0
ba) held for trading	0	0
bb) held to maturity	0	0
/A Revaluation difference on shares and other securities with variable yields	0	0

ING BANK ZRT
BALANCE SHEET - Assets

Data in HUF million

Description	Previous year data 2006	Current year data 2007
7. Shares, holdings held to maturity	**74**	**74**
a) shares, holdings held to maturity	74	74
of which: - holdings in credit institutions	0	0
b) upwards revaluation of shares and holdings held to maturity	0	0
of which: - holdings in credit institutions	0	0
/A Revaluation difference on shares and holdings held to maturity	0	0
8. Shares, holdings in related companies	**3 148**	**477**
a) shares, holdings held to maturity	3 148	477
of which: - holdings in credit institutions	0	0
b) upwards revaluation of shares and holdings held to maturity	0	0
of which: - holdings in credit institutions	0	0
9. Intangible assets	**111**	**171**
a) intangible assets	111	171
b) upwards revaluation of intangible assets	0	0
10. Tangible assets	**245**	**235**
a) financial and investment service tangible assets	3	16
aa) land and buildings	0	0
ab) plant, equipment, machinery, fittings, vehicles	0	16
ac) assets under construction	3	0
ad) payments on account	0	0
b) indirect financial and investment service tangible assets	242	219
ba) land and buildings	0	0
bb) plant, equipment, machinery, fittings, vehicles	242	219
bc) assets under construction	0	0
bd) payments on account	0	0
c) upwards revaluation of tangible assets	0	0
11. Own shares	**0**	**0**
12. Other assets	**1 196**	**547**
a) stocks	16	21
b) other receivables	1 180	526
of which: - receivables from related companies	147	34
- receivables from companies in other holding relationships	0	0
12/A Revaluation difference on other receivables	0	0
12/B Revaluation difference (+) on derivative transactions	20 738	25 715
13. Prepaid expenses and accrued income	**1 739**	**3 908**
a) accrued income	1 729	3 888
b) prepaid expenses	10	20
c) accrued payables	0	0
Total assets	**225 780**	**452 657**
of which: - CURRENT ASSETS (1.+2. a) + 3.c) + 3. a) + 3. ba) + 4. aa) + 4. b) + 5. aa) + 5. ba) + 6. a) + 6. ba) +11+12 + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining to the previous items)	199 827	431 483
- FIXED ASSETS (2.b) + 3. bb) + 4. ab) + 5. ab) + 5. bb) + 6. bb) +7+8+9+10)	24 214	17 266

Budapest, 28 April 2008.

ING Bank Zrt.
1068 Budapest, Dózsa György út 84/b.
Bejegyezve: Fővárosi Bíróság, mint Cégbíróság
Cg.: 01-10-041684
46.

dr. Salgó István
Chief Executive Officer

Turcsányi Andrea
Chief Financial Officer

ING BANK ZRT
BALANCE SHEET Equity and liabilities

Data in HUF million

Description	Previous year data 2006	Current year data 2007
1. Liabilities to credit institutions	**18 751**	**224 325**
a) sight	1 808	18 498
b) fixed liabilities from financial services	16 943	204 844
ba) short-term	16 780	204 661
of which: - to related companies	7 842	152 977
- to companies in other holding relationships	0	0
- to the NBH	0	0
- to the clearing house	0	0
bb) long-term	163	183
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
- to the NBH	0	0
- to the clearing house	0	0
c) from investment services	0	983
of which: - to related companies	0	983
- to companies in other holding relationships	0	0
- to the clearing house	0	0
/A Revaluation difference on liabilities to credit institutions	0	0
2. Liabilities to clients	**121 249**	**135 285**
a) savings deposits	0	0
aa) sight	0	0
ab) short-term	0	0
ac) long-term	0	0
b) other liabilities from financial services	120 162	130 567
ba) sight	70 681	85 204
of which: - to related companies	2 287	983
- to companies in other holding relationships	0	0
bb) short-term	49 481	45 363
of which: - to related companies	950	0
- to companies in other holding relationships	0	0
bc) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
c) from investment services	1 087	4 718
of which: - to related companies	470	0
- to companies in other holding relationships	0	0
ca) liabilities from stock exchange investment services	0	0
cb) liabilities from OTC investment services	0	0
cc) liabilities to clients from investment services	1 087	4 718
cd) liabilities to organisations performing clearing house activities	0	0
ce) other liabilities from investment services	0	0
/A Revaluation difference on liabilities to clients	0	0
3. Liabilities due to issued securities	**0**	**0**
a) issued bonds	0	0
aa) short-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
ab) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
b) other issued debt securities	0	0
ba) short-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
bb) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
c) debt instruments treated as securities for accounting but which do not qualify as securities according to Act on Capital Markets	0	0
ca) short-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
cb) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0

ING BANK ZRT
BALANCE SHEET Equity and liabilities

Data in HUF million

Description	Previous year data 2006	Current year data 2007
4. Other liabilities	**6 708**	**14 695**
a) short-term	6 528	14 534
of which: - to related companies	4 876	7 808
- to companies in other holding relationships	0	0
- other capital contributions of members at credit institutions operating as co-operatives	0	0
b) long-term	180	161
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
4/A Revaluation difference (-) on derivative transactions	**26 928**	**26 754**
5. Accrued expenses and deferred income	**3 057**	**3 044**
a) deferred income	8	0
b) accrued expenses	3 049	3 044
c) accrued assets	0	0
6. Provisions	**1 451**	**1 400**
a) provisions for pensions and severance payment	26	0
b) risk provisions for commitments and contingent liabilities	12	30
c) general risk provisions	1 209	1 209
d) other provisions	204	161
7. Subordinated liabilities	**5 015**	**4 534**
a) subordinated loan capital	5 015	4 534
of which: - to related companies	5 015	4 534
- to companies in other holding relationships	0	0
b) other capital contributions of members at credit institutions operating as co-operatives	0	0
c) other subordinated liabilities	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
8. Subscribed capital	**18 589**	**18 589**
of which: - repurchased ownership shares at face value	0	0
9. Registered, but unpaid capital (-)	**0**	**0**
10. Capital reserve	**138**	**138**
a) difference between face value and issue value of share or holding (premium)	0	0
b) other	138	138
11. General reserve	**1 620**	**1 620**
12. Profit reserve (+-)	**22 273**	**22 273**
13. Non-distributable reserve	**0**	**0**
14. Valuation reserve	**1**	**0**
a) Valuation reserve from upwards revaluations	0	0
b) Valuation reserve from fair valuations	1	0
15. Retained earnings (+-)	**0**	**0**
Total equity and liabilities	**225 780**	**452 657**
of which: - CURRENT LIABILITIES (1. a) + 1. ba) + 1. c) + 1/A. + 2. aa) + 2. ab) + 2. ba) + 2. bb) + 2. c) + 2/A. + 3. aa) + 3. ba) + 3. ca) + 4. a + 4/A.)	146 365	373 961
- LONG-TERM LIABILITIES (1. bb) + 2. ac) + 2. bc) + 3. ab) + 3. bb) + 3. cb) + 4. b)+7)	5 358	4 878
- EQUITY (8-9+10+11+ /-12+13+14+ /-15)	42 621	42 620

Description		
Contingent liabilities	164 957	185 057
Commitments	2 423 796	5 714 706

Budapest, 28 April 2008.

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dr. Salgó István
Chief Executive Officer

Turcsányi Andrea
Chief Financial Officer

ING BANK ZRT
PROFIT AND LOSS STATEMENT

Data in HUF million

	Description	Previous year data 2006	Current year data 2007
1	**Interest received and similar income**	**26 979**	**25 632**
a	interest income on debt securities with fixed interest	8 957	15 960
	of which: - from related companies	0	0
	- from companies in other holding relationships	0	0
b	other interest received and similar income	18 022	9 672
	of which: - from related companies	1 677	1 111
	- from companies in other holding relationships	0	0
2	**Interest paid and similar expenses**	**15 605**	**14 399**
	of which: - to related companies	6 907	5 605
	- to companies in other holding relationships	0	0
	INTEREST MARGIN (1-2)	**11 374**	**11 233**
3	**Income from securities**	**72**	**73**
a	income from shares, holdings held for trading (dividends, profit sharings)	0	0
b	income from holdings in related companies (dividends, profit sharings)	0	0
c	income from other holdings (dividends, profit sharings)	72	73
4	**Commission and fee income**	**5 054**	**5 902**
a	from income of other financial services	2 821	3 247
	of which: - from related companies	0	598
	- from companies in other holding relationships	0	0
b	income from investment services (except trading activity income)	2 233	2 655
	of which: - from related companies	176	128
	- from companies in other holding relationships	0	0
5	**Commissions paid (payable) and fee expenses**	**1 923**	**2 420**
a	from other financial service expenses	1 301	1 693
	of which: - to related companies	0	40
	- to companies in other holding relationships	0	0
b	from investment service expenses (with the exception of trading activity expenses)	622	727
	of which: - to related companies	0	3
	- to companies in other holding relationships	0	0
6	**Net profit/loss on financial transactions [6.a)-6.b)+6.c)-6.d)]**	**-1 920**	**-729**
a	from income of other financial services	961	2 134
	of which: - from related companies	0	546
	- from companies in other holding relationships	0	0
	- revaluation difference	0	0
b	from other financial service expenses	1 408	51
	of which: - to related companies	0	0
	- to companies in other holding relationships	0	0
	- revaluation difference	0	0
c	from investment service income (trading activity income)	2 311	7 653
	of which: - from related companies	1 580	151
	- from companies in other holding relationships	0	0
	- reversal of impairment on securities held for trading	0	0
	- revaluation difference	0	0
d	from investment service expenses (trading activity expenses)	3 784	10 465
	of which: - to related companies	1 307	2 570
	- to companies in other holding relationships	0	0
	- impairment on securities held for trading	0	0
	- revaluation difference	0	0
7	**Other income from business activities**	**2 963**	**561**
a	income from non-financial and non-investment services	402	453
	of which: - from related companies	0	87
	- from companies in other holding relationships	0	0
b	other income	2 561	108
	of which: - from related companies	0	81
	- from companies in other holding relationships	0	0
	- reversal of impairment on stocks	0	0

ING BANK ZRT
PROFIT AND LOSS STATEMENT

Data in HUF million

	Description	Previous year data 2006	Current year data 2007
8	**General administrative expenses**	**8 178**	**6 588**
a	staff costs	3 174	2 985
	aa) wage costs	2 134	2 022
	ab) other staff benefits	175	247
	of which: - social security costs	0	32
	= pension costs	0	18
	ac) wage contributions	865	716
	of which: - social security costs	0	632
	= pension costs	0	444
b	other administration costs (material-type expenses)	5 004	3 603
9	**Depreciation**	**57**	**111**
10	**Other expenses from business activities**	**1 068**	**1 154**
a	expenses on non-financial and non-investment services	276	462
	of which: - to related companies	0	81
	- to companies in other holding relationships	0	0
b	other expenses	792	692
	of which: - to related companies	0	11
	- to companies in other holding relationships	0	0
	- stocks impairment	0	0
11	**Impairment on receivables and risk provisioning for commitments and contingent liabilities**	**148**	**59**
a	Impairment on receivables	125	31
b	risk provisioning for commitments and contingent liabilities	23	28
12	**Reversal of impairment on receivables and utilisation of risk provisions for commitments and contingent liabilities**	**276**	**59**
a	Reversal of impairment on receivables	262	23
b	utilisation of risk provisions for commitments and contingent liabilities	14	36
/A	Difference between general risk reserve allocated and used	0	0
13	**Impairment on debt securities held to maturity and on shares, holdings in related companies and companies in other holding relationships**	**0**	**0**
14	**Reversal of impairment on debt securities held to maturity and on shares, holdings in related companies and companies in other holding relationships**	**120**	**28**
15	**Profit on ordinary activities**	**6 565**	**6 795**
	of which: - PROFIT ON FINANCIAL AND INVESTMENT SERVICES [1-2+3+4-5+-6+7.b)-8-9-10.b)-11+12-13+14]	6 439	6 804
	of which: - PROFIT ON NON-FINANCIAL AND NON-INVESTMENT SERVICES [7.a)-10.a)	126	-9
16	**Extraordinary income**	0	2 700
17	**Extraordinary expenses**	429	2 837
18	**Extraordinary profit/loss (16-17)**	**-429**	**-137**
19	**Profit before tax (+-15+-18)**	**6 136**	**6 658**
20	Tax liability	1 502	1 274
21	**Profit after tax (+-19-20)**	**4 634**	**5 384**
22	General provisioning, utilisation (+-)	0	0
23	Use of profit reserve for dividends, profit sharings	0	0
24	Dividends and profit-sharings paid	4 634	5 384
	of which: - to related companies	4 634	5 384
	- to companies in other holding relationships	0	0
25	**Retained profit for the year (+21-/+22+23-24)**	**0**	**0**

Budapest, 28 April 2008.

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Cg.: 01-10-041684
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Dr. István Salgó
Chief Executive Officer

Turcsányi Andrea
Chief Financial Officer

Supplement

2007

CONTENTS

SUPPLEMENT 2007

1. GENERAL

ING Bank Zrt. (date of registration of change of form from Rt. to Zrt: 2 May 2006 , hereinafter referred to as: the Bank), a commercial bank fully owned by ING Bank N V based in Amsterdam, was founded in 1991. The Bank, which was the first financial institution to be registered in Hungary solely in foreign ownership, provides the full range of commercial (corporate) banking services and limited retail services.

2007 was the Bank's sixteenth full financial year.

The Bank's subscribed capital totalled MHUF 18,589 in 2007. This capital is solely a foreign holding, consisting of 185,886 registered shares, each with a face value of THUF 100 that is one hundred thousand forints, all of which are owned by ING Bank N V, Holland, exclusively. (Registered office: Amstelveenseweg 500, 1081 KL, Amsterdam, Netherlands).

The Bank's fundamental goal is still to be an acknowledged player among the medium-sized banks on the domestic money and capital market as an integrated financial services provider. Great emphasis is placed on continually providing quality services yet which also meet the wide-ranging needs of its clients, introducing new (innovative) products. Obviously, the Bank wishes to meet these goals whilst generating suitable profit, relying heavily on the Hungarian members of the ING Group. This endeavour fits in perfectly with the strategy of the parent company, since the ING Group structured (and continues to structure) its global organisation as an integrated financial services provider with a view to exploiting the cross-sales opportunities inherent in banking and other services offered by the Group efficiently.

IT environment of the Bank

<u>Atlas system</u>

The Bank uses the integrated accounting and information system (Atlas) developed (and continually improved) by the Amsterdam parent company and which is used across the board in the international branch network. Business events related to banking products are recorded in this IT system, which generates the general ledger statement on which basis the Hungarian ledger statement can be compiled that complies with the Hungarian Act on Accounting. A feature of the system is that the effects of events which occurred after 31 December but before the balance sheet preparation date and which affect the previous year cannot be entered into the system as previous year data. As a result, the figures on the "translated" Hungarian ledger statement are adjusted with the data of business events in the mentioned period which affect the previous year and are recorded in a separate journal.

<u>EXACT system</u>

The Bank records bookkeeping items related to the general financial activity (incoming and outgoing invoices, costs, tangible assets, taxes etc.) in the Exact Globe 2003 Enterprise system implemented on 1 January 2007. The Profile system used previously to record retail clients and products as well as general administrative expenses could not be operated effectively any more due to the sale of the retail portfolio, thus it was replaced by a more cost effective system which is tailored better to the needs.

<u>The system producing the Bank's integrated general ledger statement</u>

The complete ledger for the Bank and the balance sheet and profit and loss statement compiled on this basis is generated by partially consolidating the individual accounting units internally, netting any transactions between the two. As a result of the method applied by the Bank, apart from the consolidated Hungarian ledger statement the annual financial statements are supported by the ledger statement produced by the (parent company's) integrated IT system; the compliance of this statement with the Hungarian system of accounts; the journals recording the items to be adjusted at closure due to the time differences and the detailed appendices prepared for the Hungarian ledger statement. These documents constitute a unified whole, as statements underlying the annual financial statements.

The Bank's accounting policies

The accounting policies are based on the accounting principles and valuation regulations prescribed in the Act on Accounting, namely, the financial situation and the results of operations in the annual financial statements present a true and fair view if the accounting policies can enforce them accordingly. The accounting policies transform the strict rules of the Act's alternative provisions to the specific situation at the Company.

Based on the methods and valuation procedures set forth in the Act on Accounting, the Bank's accounting policies summarise in writing the general and specific accounting implications and rules related to bookkeeping and reporting. This regulates the bookkeeping and reporting work throughout the year within a strict framework, whilst ensuring the assertion of the Bank's individual needs and its special operating form. The accounting policies, which are reviewed and updated on an annual basis, contain provisions related to existing services as well as general accounting rules.

<u>Content of the accounting policies</u>

The accounting policies contain:

- reporting framework
- provisioning procedure
- valuation procedure (from 2004 the Appendix to Fair value measurement)
- inventory procedure for assets and liabilities
- prime cost calculation procedure
- cash-management procedure
- procedure on collection of deposits
- lending procedure
- amortisation procedure
- procedure for sequentially numbered documentation

Reporting framework

The reporting framework defines the method of bookkeeping and the content of the annual financial statements, including the supplement.

Taking into account the relevant provisions of Act C of 2000 on Accounting and Government Decree 250/2000 (XII. 24.) as amended on the Reporting and Bookkeeping Requirements of Credit Institutions and Financial Enterprises, the Bank compiles annual financial statements on its operations, financial position and the results of operations following the end of the calendar year. In accordance with the regulation for credit institutions, the Bank keeps double-entry books and the profit is assessed using the cost-of-sales method.

For 2007 the balance sheet preparation date was 5 January 2008.

The Bank's internal accounting system is structured in such a way that it can meet the reporting requirements vis-a-vis the Hungarian Financial Supervisory Authority and the NBH during the year. To substantiate the interim reports sent to the Hungarian Financial Supervisory Authority and the NBH, as of the last day of every month the Bank closes the asset and liability accounts, the cost and income accounts, and assesses the balances on these accounts, before preparing a general ledger statement and a summary of the off-balance sheet items contained on account code 0.

During the quarterly closure, other receivables are rated based on the asset and liability inventory procedure, inventories and with due consideration of the Act on Accounting, and should impairment be justified, such is accounted to the extent defined in the lending procedure.

Lending procedure

The corporate division plays a crucial role in the Bank's lending activities, through its banking relations with principally large Hungarian and multi-national clients, most of whom are also clients of the parent company. Over and above Hungarian legislation, corporate lending is regulated in the parent company's rating, procedural and valuation handbooks as well, which are detailed in the Lending procedure.

Content of the lending procedure

The lending procedure contains:

- risk assumption procedures
- investment procedures
- procedures for coverage evaluation
- procedures for transaction rating and evaluation
- evaluation and provisioning procedures
- procedures for country risk management and
- client and partner rating procedures.

Amortisation policy

The amortisation policy defines the useful lives and the depreciation methods for intangible and tangible assets.

Evaluation procedures

In 2004, ING Bank Zrt. has switched from cost-based to fair value-based bookkeeping. The relevant major rules are set out in the accounting policy updated according to the provisions of Act C of 2000 on Accounting and Government Decree No. 250/2000 (XII. 24.). The main elements are summarised below:

In the case of financial instruments, financial assets should be rated as follows, based on fair value measurement:

- financial assets held for trading
- financial assets available for sale
- financial assets held to maturity
- loans originated by the entity and other receivables.

In the case of financial instruments, financial liabilities should be rated as follows, based on fair value measurement:

- held for trading
- other financial liabilities.

Financial instruments are recorded at cost (purchase cost) then financial instruments held for trading must be valued at the fair value as of the balance sheet date whilst financial assets available for sale can be valued at fair value.

The evaluation system applied for the given asset cannot be changed within two years after its implementation.

When switching from cost-based evaluation to fair value-based evaluation in the case of financial assets, impairment must be reversed according to the relevant rules and in the case of financial assets available for sale an evaluation difference justified based on the evaluation must be accounted for against the evaluation reserve for fair value measurement or if the market value is below cost, then impairment must be accounted for to the justified extent. In the case of financial assets held for trading it must be reversed against the income from or expense of investment services or the income from and expense of other financial services.

Financial assets held for trading

In the case of financial assets held for trading, the evaluation difference shows the excess of the fair value of the asset over cost (purchase cost) or the fall of same below cost (purchase cost). The positive or negative evaluation difference together with the cost (purchase cost) of the asset compose its book value which equals the fair value.

Receivables from credit institutions and clients as well as other receivables and securities rated as financial assets held for trading, the accounting rules for impairment are not applicable.

The evaluation difference of a security rated as a financial asset held for trading, above and below purchase price, within income from and expense of investment services, is accounted for as income from and expenses of trading activities.

Financial assets and financial liabilities held for trading are derecognised at book value.

Financial assets held for trading cannot be reclassified into other categories.

Financial assets available for sale

In the case of assets classified as available for sale, the financial institution decides whether the given asset will be valued at fair value or cost and applies it on a consistent basis [according to Section 9/B (3) of Government Decree No. 250/2000 (XII. 24.), as amended]. According to the decision of management, financial assets available for sale are revalued at fair value as of the balance sheet date.

Accrual of the difference between nominal value and purchase cost on a pro-rated basis (for the period between the acquisition and the balance sheet date of the business year) cannot be applied for interest-bearing securities rated as financial assets available for sale (and valued at fair value).

In the case of financial assets available for sale, the evaluation difference shows the fair value in excess of cost (purchase cost), it can only be positive and it is not part of the book value of the asset. If the fair value of the asset falls below cost (purchase cost) at the date of the evaluation, then the evaluation difference must be cleared against the evaluation reserve for fair value measurement, and if this decrease is permanent and significant, impairment must be accounted for.

When evaluating interest-bearing and discounted securities in the balance sheet, fair (market) value must be taken into consideration together with accrued interest and in the case of discounted securities at a value decreased by the pro-rated amount of the difference between the nominal value and the purchase price.

Financial assets available for sale must be derecognised at book value and parallel to this, the evaluation difference allocated to the asset must be derecognised against the evaluation reserve for fair value measurement.

Financial assets held to maturity

Of the difference between the nominal value and purchase cost of the interest-bearing security (not valued at fair value) purchased below/above nominal value and rated as an investment held to maturity in the balance sheet, the amount pro-rated for the period between the acquisition and the balance sheet date of the business year (and accounted for against other income from financial transactions) is recognised under either prepayments or accruals. The prepayments or accruals must be cleared when the given security is sold or redeemed.

When reclassifying a financial asset, accounted items (evaluation differences, impairment, prepayments and accruals, profit/loss, the amounts affecting the evaluation reserve for fair value measurement) related to the asset must be traced back to the status as of the purchase (cost). Parallel to this, the justified evaluation difference, any impairment and prepayments and accruals related to the financial asset as rated after the reclassification, must be accounted for.

If the asset is not reclassified in the year of purchase, then the clearing of evaluation differences affecting the profit/loss, impairment, prepayments and accruals at the date of reclassification must be accounted for as an increase in income or expense depending on its kind.

If reclassification takes place in the year of purchase, then same should be accounted for as a decrease in income or expense (credit item).

Fair value measurement cannot be applied for:

- financial assets held to maturity
- loans originated by the entity and other receivables
- investment representing an ownership share included in investments
- other financial liabilities.

According to the decision of the bank, FX assets and liabilities are revalued at the HUF value translated at the official MNB FX rates on a daily basis [according to Section 9 (6) of Government Decree No. 250/2000. (XII. 24.), as amended].

Derivative transactions

Financial assets acquired in a derivative transaction (forward transactions, options, interest swaps, HUF-FX swaps, various FX swaps) will be included in the books at the deal price which has to be revalued to fair value against income from or expenses of investment services, or interest income or expenses, if the transaction is for interest hedging purposes. In this case, the deal price and the revaluation difference together compose the cost which equals the fair value of the asset.

When evaluating forward transactions, the fair value applied by the bank is the discounted value of the difference between the forward price (rate) of the subject of the transaction as of the evaluation date (relevant for the date of maturity of the transaction) and the deal price, for the period between the date of maturity and the evaluation date.

The positive evaluation difference of derivative transactions must be accounted for as receivables, whilst negative evaluation differences must be booked as liability separately, by deal (by contract) and must be shown as a separate item after other receivables and other liabilities.

Evaluation differences booked at evaluation must be accounted for as income from investment services in the case of profit, and as expense of investment services in the case of losses.

No provisions can be allocated for the negative evaluation difference (expected loss) of derivative transactions held for trading.

The evaluation difference of derivative transactions held for trading as accounted for previously must be derecognised upon the closure of the transaction as an item decreasing the income from investment services in the case of a positive difference, and as an item decreasing the expenses of investment services in the case of a negative difference.

Other valuation rules

If the book value of an asset is lower than its cost value due to depreciation (extraordinary depreciation for tangible and intangible assets, impairment for other assets) and the reasons for the lower valuation no longer prevail, then the write-offs must be eliminated. Intangible and tangible assets must be revalued to their fair value by reducing the extraordinary depreciation, while for other assets by reducing the booked impairment, but at most to the recorded historical cost value, while intangible and tangible assets can be revalued at most to their net value. The reversal may not exceed the amount previously booked as extraordinary depreciation or impairment.

The sub-ledger of securities contains identification data on the securities, the purchase price, and the book value per type of security (bond, share, government security).

Blank bankcards purchased are recognised under stocks. Records are kept on the cards during the year in terms of quantity and purchase cost. The purchase cost contains all of the costs incurred until storage, including incidental purchase costs. Blank cards are valued using the FIFO method. Impairment must be accounted on stocks if they are damaged or become superfluous. The depreciation rates are defined per stock group.

According to the Act on Accounting, impairment should be accounted based on the balance sheet date valuation of loans, bank deposits and other receivables if the rating of the debtor has deteriorated and recovery of the receivable by the due date is uncertain. If the rating of the debtor then proceeds to improve, the previously booked impairment can be reversed.

The Bank suspends interest at year-end if it is due pro-rated for the current year, payable by the balance sheet preparation date but was not received, or if it is due pro-rated for the current year, not payable by the balance sheet preparation date and the underlying receivable is rated other than problem-free or special mention.

During the year, if a receivable is overdue by more than 30 days then the Bank suspends the interest, and also if the underlying receivable is rated other than problem-free or special mention.

Stock exchange and OTC forward transactions concluded for interest arbitrage purposes (forint and foreign exchange and various FX swaps) and the financial instruments in swap deals are recognised as off-balance sheet items at the forward price stipulated in the contract, until the contractual deadline falls due. If the deadline falls due, then the forward transactions and the forward part of swap transactions are accounted in accordance with the rules pertaining to immediate sales contracts.

The Bank uses the straight-line method for depreciating intangible and tangible assets, with due consideration of the expected useful lives of the assets. The depreciation is based on the gross value, which tallies with the purchase value. The purchase value comprises the purchase price, customs costs, customs charges, duties, non-deductible value added tax and the purchase price of necessary accessories. Proper use is determined based on information at the date of capitalisation and in view of the useful life. Residual values are defined on an item-by-item basis. The Company accounts depreciation once a month before the monthly closure, in terms of both the sub-ledgers and the general ledger. The Bank commences calculating the amortisation in the day following capitalisation and also accounts it when the asset is sold, in the day it is derecognised from the books. Low-value assets with a gross value of under HUF 100,000 are depreciated in one amount when purchased, as prescribed by the Act on Corporation Tax. Since 1 January 2007 the Bank and its subsidiary, ING Duna Kft has been using standard depreciation rates for tangible assets. The rates were determined with due consideration to the requirements of the parent company.

In the case of capitalised intangible and tangible assets, depreciation rates based on expected useful life are as follows:

	2006	2007
Other rights and concessions	17	17
Right of use of software	33	33
Computers (PCs)	20	33
Other IT equipment	20	25
Other technical equipment	20	20
Other equipment, fittings	-	14.5
Vehicles	20	33

The Bank owns ING Duna Szolgáltató Kft. founded in 1996. As an auxiliary enterprise of the Bank, it partially owns and runs the tangible asset portfolio, and as such is a fully consolidated subsidiary. Accordingly, the Bank also prepared consolidated annual financial statements for 2007.

ING Duna Szolgáltató Kft. (registered office: 1068 Budapest, Dózsa György út 84/b) has equity of HUF 448 million as of 31 December 2007, of which ING Bank Zrt. holds 100 %.

ING Duna Szolgáltató Kft.'s 2007 year-end registered capital totals HUF 563 million, its profit reserve HUF -115 million, and its retained profit HUF 28 million.

ING Bank N. V: Amsterdam, the owner, includes all of its ownership shares exceeding 50% in its consolidated financial statements prepared according to the International Financial Reporting Standards as accepted in the EU, hence it fully includes our bank in its statements also. The annual financial statements are 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 the above principles. Its annual financial statements are also available at www.ing.com.

Bookkeeping services

The person responsible for the management of bookkeeping tasks in 2007:

Gyöngyi Steiner 1028 Budapest, Noémi u. 21. Registration No: 167986

Audit of the Bank's annual financial statements

Based on the Act on Business Associations, in the case of business associations operating as companies limited by shares, an audit is compulsory, thus the Bank (as it can only operate as a Zrt) must have its annual financial statements audited.

The Bank's annual financial statements are audited by KPMG Hungária Kft. (tax number 10263332-2-44).

Auditor:

- Zsuzsanna Nagy

Address:	3214 Nagyréde, Rákóczi út 10.
Mother's maiden name:	Anna Hevér
Identification No.:	005421

The annual financial statements are signed by:

- dr. István Salgó — ING Bank Zrt. Chief Executive Officer, Board Member
  1023 Budapest, Apostol u.8.
- Andrea Turcsányi — ING Bank Zrt. Finance Director and Board Member
  1118. Budapest, Mányoki út 6/b.

2. Special notes

The Special notes section includes notes to credit institution balance sheet and profit and loss statement rows.

Tangible and intangible assets

Under intangible assets the Bank recognises rights and concessions, goodwill and intellectual property. Financial institution tangible assets include IT equipment, while non-financial institution tangible assets include vehicles and works of art. The tangible assets include neither land and buildings nor related rights and concessions. The Bank begins accounting amortisation on the date of capitalisation and accounts it until the date of derecognition when the asset is sold, using the straight-line method.

The Bank determines the residual value of the tangible assets expected at the end of their useful life based on proper use, information available at the date of capitalisation, and the useful lives.

Changes in gross values of tangible and intangible assets

Data in HUF million

Description	31 December 2006	Additions	Disposals	Capitali-sation	Other changes (reclassification, scrapping)	31 December 2007
Intangible assets	**2,403**	**105**	**0**	**0**	**2**	**2,510**
Other rights and concessions	18	0	0	0	0	18
Right of use of software	2,385	105	0	0	2	2,492
Tangible assets	**335**	**122**	**4**	**-62**	**-2**	**389**
IT equipment	76	14	0	0	0	90
Vehicles	248	43	4	0	0	287
Other equipment, fittings	0	4	0	0	0	4
Works of art	8	0	0	0	0	8
Assets under construction	3	61	0	-62	-2	0
Total	**2,738**	**227**	**4**	**-62**	**-0**	**2,899**

Changes in accumulated depreciation of tangible and intangible assets

Data in HUF million

Description	31 December 2006	Ordinary depreciation	Disposals	Capitali-sation	Other changes (reclass., scrapping)	31 December 2007
Intangible assets	**2,292**	**47**	**0**	**0**	**0**	**2,339**
Other rights and concessions	16	1	0	0	0	17
Right of use of software	2,276	46	0	0	0	2,322
Tangible assets	**90**	**64**	**0**	**0**	**0**	**154**
IT equipment	76	0	0	0	0	76
Vehicles	14	62	0	0	0	76
Other equipment, fittings	0	2	0	0	0	2
Works of art	0	0	0	0	0	0
Assets under construction	0	0	0	0	0	0
Total	**2,382**	**111**	**0**	**0**	**0**	**2,493**

Changes in net values of tangible and intangible assets

Data in HUF million

Description	31 December 2006	Additions	Disposals	Capitalisation	Other changes (reclass., scrapping)	31 December 2007
Intangible assets	**111**	**58**	**0**	**0**	**2**	**171**
Other rights and concessions	2	-1	0	0	0	1
Right of use of software	109	59	0	2	0	170
Tangible assets	**245**	**58**	**4**	**-62**	**-2**	**235**
IT equipment	0	14	0	0	0	14
Vehicles	234	-19	4	0	0	211
Other equipment, fittings	0	2	0	0	0	2
Works of art	8	0	0	0	0	8
Assets under construction	3	61	0	-62	-2	0
Total	**356**	**116**	**4**	**-62**	**0**	**406**

No extraordinary depreciation was accounted for or reversed in the current year.

In 2007 new software in a value of HUF 105 million was purchased. Rights of use of software was capitalised during the year totalling HUF 164 million, due to new purchases, rights of use of software not capitalised in 2006 (HUF 57 million) as well as reclassifications. At the end of the year intangible assets did not include non-capitalised purchases.

In the reporting year, cars were acquired for a further HUF 43 million within the framework of a lease arrangement. One passenger car was sold during the year.

New IT equipment (servers, PCs) were purchased in a value of HUF 14 million.

Provisions allocated and used in the current year

HUF 13 million was released and HUF 13 million used from the provision previously allocated for severance payments, thus the Bank had no provision under such title as at the end of the year.

HUF 30 million provisions for commitments and contingent liabilities are disclosed in the books of the Bank as at 31 December 2007 in connection with two pending cases.

HUF 22 million was used during the year from other provisions allocated for reorganisations in 2005 and 2006.

HUF 11 million was released and HUF 10 million used from the HUF 24 million provision allocated in 2006 in connection with the operation of the Bank.

Since 2001, the Bank has not allocated any general risk provisions. In 2007, no general risk provisions were used.

As a result, provisions of HUF 1,400 million are included in the books of the Bank as of 31 December 2007.

The allocation and release of provisions ensued as follows in 2007.

Data in HUF million

Description	31 December 2006	Increase (allocation)	Decrease		31 December 2007
			release	use	
Provisions for pensions and severance payment	26	0	13	13	0
Provisions for commitments and contingent liabilities	12	28	6	4	30
General risk reserve	1,209	0	0	0	1,209
Other provisions	204	0	11	32	161
Total	**1,451**	**28**	**30**	**49**	**1,400**

Current year impairment allocation and reversal

In 2007 impairment was allocated and reversed as follows:

Data in HUF million

Description	31 December 2006	Increase (allocation)	Decrease		31 December 2007
			reversal	use	
Impairment booked on client receivables	3	2	5	0	0
Impairment on investment service activities	11	26	16	0	21
Impairment on other receivables	2	3	2	0	3
Impairment on holdings	115	0	28	0	87
Impairment on debt securities	0	0	0	0	0
Total	**131**	**31**	**51**	**0**	**111**

Own securities and holdings

Own government securities held for trading

Held for trading portfolio

Data in HUF million

Name of security	Nominal value	Book value	Revaluation difference	Market value
C2008/C	581	577	0	577
C2008/D	530	529	0	529
C2008/E	28	27	0	27
C2009/B	0	0	0	0
C2009/C	15,162	14,877	141	15,018
C2009/D	925	935	-1	934
C2009/E	4,733	4,621	29	4,650
C2009/F	5,457	5,334	29	5,363
C2010/B	11	11	0	11
C2010/C	42	42	0	42
C2010/D	156	151	0	151
C2011/A	720	724	-3	721
C2011/B	10,763	10,048	187	10,235
C2012/B	23	23	0	23
C2012/C	1	1	0	1
C2013/D	1,651	1,610	-4	1,606
C2014/C	46	42	0	42
C2015/A	897	937	-3	934
C2016/C	4	3	0	3
C2017/A	1	1	0	1
C2017/B	7	7	0	7
C2020/A	2	2	0	2
C2023/A	5	4	0	4
D080102	570	569	0	569
D080109	2,819	2,767	0	2,767
D080116	7,441	7,396	0	7,396
D080123	19	19	0	19
D080206	120	118	0	118
D080213	2,727	2,697	0	2,697
D080220	3	3	0	3
D080305	5,000	4,901	0	4,901
D080312	881	844	0	844
D080319	6,329	6,187	0	6,187
D080409	2,104	2,046	0	2,046
D080507	21,844	21,262	0	21,262
D080604	2,016	1,941	0	1,941
D080702	38	37	0	37
D080827	618	581	0	581
D081022	5,509	5,183	0	5,183
D081217	30	28	0	28
MNB080102	100,002	99,712	0	99,712
Total	**199,815**	**196,797**	**375**	**197,172**

Own securities held for investment

Portfolio held to maturity

Data in HUF million

Name of security	Nominal value - original FX EUR	Nominal value	Book value	Market value
EUROBOND EUR	17	4,343	4,516	4,516
Total	17	**4,343**	**4,516**	**4,516**

Breakdown of listed and OTC securities by balance sheet row

The following table presents the book value of listed and OTC securities as per the relevant balance sheet row:

Data in HUF million

Listed and OTC securities	Current assets	Fixed assets
Government bonds	40,881	4,516
Discounted treasury bills	156,291	0
Shares	0	0
Total	**197,172**	**4,516**

The Bank has no foreign securities, however, it booked a bond issued by the state of Hungary, with a book value of HUF 4,516 million, a maturity date of 16 February 2009 and a nominal value of EUR 17,144,000 among assets held for investment.

Own holdings held for investment

Data in HUF million

Name of holding	Nominal value	Cost	Market value
GIRO Rt	20	20	20
Hitelgarancia Alapítvány	22	22	22
Hitelgarancia Rt	10	10	10
Budapesti Értéktőzsde Rt	13	21	21
Investment securities	0	0	1
Shares, holdings held for investment	**65**	**73**	**74**
ING Duna Szolgáltató Kft.	563	563	477
Total	**628**	**636**	**551**

In 2007 the Bank acquired the holding of the minority owner of ING Duna Kft, thus it became the sole owner of the Kft. Following a decision to decrease capital, the Kft is operating with primary capital of HUF 563 million.

In 2004 the net value of ING Duna szolgáltató Kft. in the Bank's books fell under its recorded book value. The reason for this was that the ING Group moved into a new building and the investments on rented property recognised in the books of the Kft. were scrapped at a total of HUF 100 million. Impairment of THUF 41,441 was accounted for in 2004 to compensate for this change, of which HUF 14 million was released in 2005 and the remaining HUF 27 million in 2006. A further impairment of HUF 35 million (which was allocated in 2000) was released in 2006. In 2007 HUF 28 million impairment was released.

Data in HUF million

Description	Amount
Duna Szolgáltató Kft. holding impairment, 2000 closing balance	423
2001 reversal	-100
2002 reversal	-121
2003 reversal	-52
2004 allocation	41
2005 reversal	-14
2006 reversal	-62
2007 reversal	-28
Duna Szolgáltató Kft. holding impairment, 2007 closing balance	-87

Breakdown of due assets and liabilities

The following table presents fixed-term receivables and liabilities from financial services of the Bank, broken down by maturity:

Data in HUF million

Description	due within 3 months	due between 3 months and 1 year	due over 1 year	due over 5 years	Total
Receivables					
vis-à-vis credit institutions	101,977	838	2,754	0	**105,569**
from clients	36,016	26,692	8,885	154	**71,747**
Liabilities					
vis-à-vis credit institutions	152,825	51,836	183	0	**204,844**
from clients	42,434	2,929	0	0	**45,363**
Subordinated liabilities	0	0	0	4,534	**4,534**

HUF 4,534 million of the Bank's liabilities as of 31 December 2007 matures in over five years time.

Subordinated liabilities, including subordinated loan capital

Subordinated liabilities consist of a loan capital of originally DM 35 million (EUR 17,895,216) granted by ING Dublin, which matures on 31 January 2013 and whose interest was 3.145% as of 31 December. The loan is extended for 5 years on a continuous basis.

Balance sheet rows on related companies

Details of balance sheet rows on related companies

Data in HUF million

Description	Parent company	Other related companies	Subsidiary	Total
Short-term receivables from credit institutions	23,078	10,372	0	**33,450**
Receivables from investment services vis-á-vis credit institutions	0	81	0	**81**
Receivables from investment services vis-á-vis clients	0	2	0	**2**
Other short-term receivables	20	14	0	**34**
Short-term liabilities to credit institutions	0	152,977	0	**152,977**
Liabilities from investment services vis-á-vis credit institutions	0	983	0	**983**
Sight liabilities to clients	0	778	205	**983**
Other short-term liabilities	7,032	767	9	**7,808**
Subordinated loan capital	0	4,534	0	**4,534**
Other interest received and similar income	32	1,079	0	**1,111**
Interest paid and similar expenses	8	5,571	26	**5,605**
Commissions received from the income from other financial services	572	26	0	**598**
Commissions received from the income from investment services	12	116	0	**128**
Commissions paid from expenses on other financial services	22	18	0	**40**
Commissions paid from expenses on investment services	0	3	0	**3**
Other income from financial services	546	0	0	**546**
Income from investment services	151	0	0	**151**
Expenses on investment services	2,570	0	0	**2,570**
Other income from non-financial and non-investment services	39	48	0	**87**
Other income	15	66	0	**81**
Other expenses on non-financial and non-investment services	19	62	0	**81**
Other expenses	1	10	0	**11**
Dividends approved	5,384	0	0	**5,384**

Prepaid expenses and accrued income, and accrued expenses and deferred income

Prepaid expenses and accrued income as of 31 December 2007 totalled HUF 3,908 million (2006: HUF 1,739 million), whilst accrued expenses and deferred income as of 31 December 2007 amounted to HUF 3,044 (2006: HUF 3,057 million), which can be broken down as follows:

Prepaid expenses and accrued income

Data in HUF million

Description	31 December 2006	31 December 2007
Accrued income	**1,729**	**3,888**
Interest receivables on forint loans	174	249
Interest receivables on FX loans	15	33
Interest receivables on segregated liquid assets	123	89
Interest receivables from NBH in forints	9	6
Interest receivables from banks in forints	92	242
Interest receivables from banks in foreign exchange	48	11
Interest receivables from syndicated loans in forints	146	0
Interest receivables from syndicated loans in FX	24	0
Interest receivables from overdraft facilities	175	147
Other interest receivables	20	0
Interest receivables from securities	353	1,997
Interest receivables from interest rate swaps	0	715
Other accrued income	550	399
Prepaid expenses	**10**	**20**
Prepaid expenses	7	20
Other assets in forints	3	0
Other accrued income	**1,739**	**3,908**

Accrued expenses and deferred income

Data in HUF million

Description	31 December 2006	31 December 2007
Accrued expenses	**3,049**	**3,044**
Interest liability in forints	219	271
Interest liability in foreign exchange	192	1,289
Interest liability from interst rate swaps	0	713
Accrued bonuses and benefits in kind	445	387
Accrued fees	191	134
Other accrued liabilities in forints	1,914	84
Other accrued liabilities in foreign exchange	27	50
Exchange losses related to the purchase of securities	59	112
Interest on deposits from other financial institutions	2	4
Deferred income	**8**	**0**
Other deferred income	8	0
Total accrued expenses and deferred income	**3,057**	**3,044**

Changes to equity:

Data in HUF million

Description	31 December 2006	Change in 2007 Increase	Change in 2007 Decrease	31 December 2007
Subscribed capital	18,589	0	0	18,589
Capital reserve	138	0	0	138
General reserve	1,620	0	0	1,620
Profit reserve	22,273	0	0	22,273
Valuation reserve	1	0	1	0
Retained profit for the year	0	0	0	0
Equity	**42,621**	**0**	**1**	**42,620**

Subscribed capital

The subscribed capital of the Bank totalled HUF 18,589 million both in 2006 and 2007. This capital is solely a foreign holding, consisting of 185,886 registered shares, each with a face value of THUF 100, all of which are owned by the Dutch ING Bank N.V.

Capital reserve

The capital reserve still totals HUF 138 million, in which there was no change from the previous year.

Profit reserve

The amount of the profit reserve did not change, the profit after tax for 2006 was distributed as dividend to the owner.

General reserve

Based on Section 75 (3) of Act CXII of 1996, in 2005 and 2006 the Bank asked for and received exemption from the Hungarian Financial Supervisory Authority from the obligation of allocating general reserves since the liquidity ratio of the Bank exceeded the 12% limit during the year on a continuous basis and its profit reserve was positive also. The Bank received the exemption for 2007 as well.

Off-balance sheet items

Off-balance sheet items changed as follows as of 31 December 2006 and 2007:

Contingent liabilities

Data in HUF million

Description	31 December 2006	31 December 2007
Guarantees issued	21,268	23,108
Unused credit line	143,395	161,818
Guarantee promissory notes	294	131
Total contingent liabilities	**164,957**	**185,057**

Commitments

Data in HUF million

Description	31 December 2006	31 December 2007
Spot transactions	121,004	173,801
Forward transactions	1,380,118	1,239,291
Security purchase liability	41,389	266,169
Contract-based transactions	17,285	42,455
Forward rate agreement purchase	495,500	1,994,522
Forward rate agreement sale	368,500	1,987,500
Commitments from interest rate swaps	0	10,968
Total commitments	**2,423,796**	**5,714,706**

Other off-balance sheet items

Data in HUF million

Description	31 December 2006	31 December 2007
Third-party securities	1,236,514	1,128,710
Litigated receivables	10	12
Guarantees received	14,889	17,712
Collateral received	74,081	56,413

Third-party securities

Data in HUF million

Type of security	Total nominal value	By location				
		At clearing houses	At external location	At own depository	Electronic-based	Printed
Investment units	141,507	141,507	0	0	140,478	1,029
Discounted treasury bills	43,006	43,006	0	0	43,006	0
Hungarian government bonds	843,883	843,883	0	0	843,883	0
Shares	,99,427	92,245	124	7,058	71,059	28,368
Corporate bonds	887	887	0	0	887	0
Total as of 31 December 2007	**1,128,710**	**1,121,528**	**124**	**7,058**	**1,099,313**	**29,397**
Total as of 31 December 2006	**1,236,514**	**1,221,138**	**103**	**15,273**	**1,172,164**	**64,350**

Data of assets received as collateral, security and deposits

The Bank's records only include collateral, security related to financial services:

Data in HUF million

Description of collateral	31 December 2006	31 December 2007
Cash coverage	801	157
Central budget guarantees	6,075	6,000
Securities' coverage	166	166
Assigned receivables	6,145	885
Mortgages	5,229	2,419
Other coverage (corporate guarantee)	55,665	46,786
Total:	**74,081**	**56,413**

Suspended interest

No interest was suspended either in 2006 or in 2007.

Contract value and anticipated impact on profit of outstanding forward transactions

Until maturity the Bank records its forward transactions on account code 0 at their contract value (forward deal price, rate). On 31 December 2007, the contract value of FX forward and swap transactions totalled HUF 1,239,291 million (at the end of 2006: HUF 1,380,118 million). The results of the transactions were accounted in accordance with the rules of fair value measurement.

The Bank holds spot FX sales/purchase transactions at contract value on account code 0 (forward deal price, rate), totalling HUF 173,801 million on 31 December 2007 (at the end of 2006: HUF 121,004 million). These transactions were closed by the balance sheet preparation date.

The contract value of forward rate agreements amounting to HUF 1,994,522 million at 31 December 2007 (end of 2006: HUF 495,500 million) is also recorded on account code 0. HUF 10,968 million off-balance sheet forward liabilities are recorded as at the end of the year due to interest rate swap transactions, which are offered from 2007 as a new derivative product.

The Bank also uses account code 0 to recognise forward security transactions as well, at their contract value (forward deal price, rate). The contract value of forward security purchases was HUF 266,169 million on 31 December 2007 (at the end of 2006: HUF 41,389 million). These transactions were closed by the balance sheet preparation date.

Fair value measurement of derivative transactions

On 31 December 2007, the following revaluations were taken into consideration in respect of derivative transactions during fair value measurement:

Positive revaluation difference of derivative transactions

Data in HUF million

Description	31 December 2006	31 December 2007	Impact of revaluation on profit
FX swaps	19,489	22,096	**+ 2,607**
Forward transactions	871	715	**- 156**
Forward rate agreements	378	2,686	**+ 2,308**
Interest swaps	0	218	**+ 218**
Total	**20,738**	**25,715**	**+ 4,977**

Negative revaluation difference of derivative transactions

Data in HUF million

Description	31 December 2006	31 December 2007	Impact of revaluation on profit
FX swaps	21,478	20,786	+ 692
Forward transactions	5,096	2,854	+ 2,242
Forward rate agreements	354	2,940	- 2,586
Interest swaps	0	174	-174
Total	**26,928**	**26,754**	**+174**

The Bank had no repurchase transactions in its books when the balance sheet was closed.

Income and expenses on investment services

Data in HUF million

Description	31 December 2006	31 December 2007
Investment service income	**4,544**	**10,308**
Deposit division commissions	1,210	1,245
Income from commission activities	936	1,409
Income from trading activities	1	487
Income from forward interest rate contract	2,285	5,611
Income from portfolio management commission	84	1
Exchange gains on self-issued bonds	3	0
Fair value income from securities held for trading	25	425
Income from interest swaps	0	1,130
Investment service expenses	**4,406**	**11,192**
Exchange loss from forward FX transactions	811	2,580
Expenses of forward interest rate contract	2,504	6,791
Broker fees	252	276
Fee paid to Keler	214	237
Expenses on commission activity	60	109
Expenses on securities' sales	78	99
Expenses on securities' trading	436	0
Custodian fee	18	6
Fair value expense on securities held for trading	33	17
Expenses on interest swaps	0	1,077

Costs broken down by type

Costs fell significantly compared to the previous year. There was a decrease in every cost type.

The basic reason behind the 6% decrease in staff costs and the 28% fall in material-type expenses is that the extra costs incurred in 2006 due to the sale of the retail portfolio did not arise in 2007. As the result of the sale of the division, the Bank was able to operate at a lower wage (and related contributions) and operational cost level. (The following table, which shows costs broken down by type, also includes the reclassifications described in section "Changes in the accounting policies applied" below.)

Data in HUF million

Description	31 December 2006	31 December 2006 taking into account reclassifications	31 December 2007
Wage cost	2,134	2,134	2,022
Staff costs	175	284	247
Wage contributions	865	772	716
Total staff costs	**3,174**	**3,190**	**2,985**
Material costs	83	83	79
Material-type services used	651	1,408	768
Other services used	4,260	3,476	2,724
Other costs	10	21	32
Material-type expenses	**5,004**	**4,988**	**3,603**
Depreciation	57	57	**111**
Total costs	**8,235**	**8,235**	6,699

Extraordinary income and expenses

Data in HUF million

Description	31 December 2006	31 December 2007
Extraordinary income by title	**0**	**2,700**
ING Duna Kft registered capital decrease	0	2,700
Extraordinary expenses	**429**	**2,837**
ING Duna Kft registered capital decrease (book value)	0	2,700
Liquid assets transferred definitively	404	124
Donations	20	12
Forgiven receivable	5	1

At its extraordinary member's meeting held on 6 September 2007 ING Duna Kft decided to decrease its capital to HUF 563 million. The HUF 2,700 million extraordinary income is due to the Bank as owner. The corresponding extraordinary expense amount results from the derecognition of the book value of the long-term investment. The capital decrease in the investee had no impact on the corporation tax base of the Bank.

Changes in the accounting policies applied

Reclassifications were made to some rows in the 2007 balance sheet and profit and loss statement.

At the asset and liability sides of the balance sheet receivables and liabilities from investment services were broken down to receivables from and liabilities to credit institutions and customers.

Balance sheet rows affected by the reclassification:

Data in HUF million

	ASSETS	31 December 2006	31 December 2006, taking into account reclassifications	31 December 2007
3.	**Receivables from credit institutions**	**66,991**	**67,308**	**115,664**
	b) other receivables from financial services	63,379	63,666	105,569
	ba) short-term	63,379	63,666	102,815
	Of which: - from clearing house	0	125	128
	c.) from investment services	0	192	1,233
	Of which: - from related companies	0	30	81
	- from clearing house	0	161	1,149
4.	**Receivables from clients**	**82,464**	**82,147**	**76,335**
	b.) from investment services	1,343	1,027	4,588
	Of which: - from related companies	27	1	2
	bc.) customer receivables from investment service activities	671	641	4,587
	bd.) receivables from organisations performing clearing house activities	286	0	0
	be.) other receivables from investment services	386	386	1

	EQUITY AND LIABILITIES	31 December 2006	31 December 2006, taking into account reclassifications	31 December 2007
1.	**Liabilities to credit institutions**	**18,751**	**18,865**	**224,325**
	c.) from investment services	0	114	983
	Of which: to related companies	0	114	983
2.	**Liabilities to clients**	**121,249**	**121,135**	**135,285**
	c.) from investment services	1,087	973	4,718
	Of which: - to related companies	470	356	0
	cc.) liabilities to clients from investment services	1,087	973	4,718

In the profit and loss statement reclassifications affected general expenses as follows:

Data in HUF million

	LIABILITIES	31 December 2006	31 December 2006, taking into account reclassifications	31 December 2007
8.	**General administrative expenses**	**8,178**	**8,178**	**6,588**
	a.) Staff costs	3,174	3,189	2,985
	aa.) wage costs	2,134	2,134	2,022
	ab.) other staff benefits	175	284	247
	Of which: - social security costs	0	19	32
	= pension costs	0	12	18
	ac.) wage contributions	865	771	716
	Of which: - social security costs	0	636	632
	= pension costs	0	376	444
	b.) Other administration costs (material-type expenses)	5,004	4,989	3,603

Balance sheet structure

The Bank's balance sheet total in the current year totalled HUF 450 billion, which is almost twice the 2006 year end figure. Considering annual data, the average balance sheet total for 2007 was 8% higher than the corresponding 2006 figure. The majority of assets comprises current assets (95 %), which in turn are mainly government securities along with short-term receivables from the NBH, banks and clients, and the minority of them is composed of fixed assets and receivables from clients (4%). Only 1 % of liabilities are long-term liabilities, the rest is constituted by current liabilities. Within that, 50 % of the balance sheet total is composed of current liabilities to credit institutions, while 29 % is made up by short-term deposits from clients.

Foreign exchange assets and liabilities denominated in forints

Changes in assets and liabilities denominated in foreign exchange:

Data in HUF million

Description	Assets 2006	Assets 2007	Liabilities 2006	Liabilities 2007
Foreign exchange (in forints)	61,287	62,311	58,174	233,688
Hungarian Forint	164,493	390,346	167,606	218,969
Total	**225,780**	**452,657**	**225,780**	**452,657**

HUF assets and liabilities

HUF asset items increased significantly (from HUF 164 billion to HUF 390 billion) in comparison to the end of 2006. The change was primarily due to the strong growth of the portfolio of government securities held for trading (from HUF 25 billion to HUF 197 billion), half of the HUF assets is in government securities (see below). Inter-bank HUF placements also increased significantly (by HUF 47 billion).

The increase in HUF liabilities is due to the expansion of inter-bank HUF liabilities, 30 % of HUF liabilities is from clients and 22 % is inter-bank liabilities.

FX assets and liabilities

FX assets remained at the prior year-end level. The portfolio of FX loans extended to clients as well as FX receivables from credit institutions also remained the same.

FX liabilities grew significantly (from HUF 58 billion to HUF 234 billion), mainly due to the increase in inter-bank FX liabilities.

Highlighted balance sheet items

Data in HUF million

Description	31 December 2006	31 December 2007
Liquid assets	19,639	27,843
Loans in forints*	61,393	52,280
Loans in FX*	19,728	19,467
Inter-bank placements in forints*	30,225	77,177
Inter-bank placements in FX*	33,154	28,392
Securities held-for-trading	24,983	197,172
Securities held to maturity	4,452	4,516
Client deposits in forints*	77,127	64,620
Client deposits in FX*	43,035	65,947
Inter-bank loans in forints*	7,619	49,591
Inter-bank loans in FX*	9,324	155,253

* from financial services

The change to the balance sheet structure basically affected two balance sheet items: government securities held for trading and current liabilities to credit institutions. The securities portfolio is almost eight-fold of that in 2006, while inter-bank liabilities rose 12-fold.

The amount of inter-bank loans as at the end of 2007 was high, similarly to the 2005 year-end figure (HUF 186 billion), whilst the 2006 year-end portfolio was significantly below this level. The increase or decrease in inter-bank loans was according to the current liquidity situation and money market aspects, in line with the diversified liquidity and interest strategy of the Bank.

In 2007, traditional corporate lending narrowed (by 12%). Within receivables from clients, the proportion of loans due over one year decreased (45%) and short-term loans remained at the prior-year level

The increase in receivables from investment services reflects changes to the unaccounted securities portfolio which may cause big changes depending on daily turnover.

In terms of the split between divisions, the previous trend still prevails in that corporate clients are mainly engaged in the processing and chemical industries and trading sectors.

The portfolio of liabilities to clients from financial services increased by 8%. Our clients continue to prefer short-term fixed deposits and current account deposits over long-term deposit options.

The positive and negative evaluation difference of derivative transactions shows a significant fluctuation depending on the composition of current FX forward and swap transactions and market rates. The revaluation difference of transactions from forward interest rate contracts increased in comparison to previous years, due to the significantly increased volume. The revaluation difference of interest swap transactions introduced as a new product in 2007 is immaterial.

Profitability

The 2007 profit after tax increased from HUF 4,634 million in 2006 to HUF 5,384 million in 2007. Profitability was mainly impacted by the following factors:

- record income realised by Equity Markets division due to market activity of the Bank's clients,
- outstanding profitability of advisory performed by the Structured Financing division,

- sale of the Retail division and the resulting 20% cost saving realised from the consequential reorganisation.

Due to the sale of the Retail division both interest income and expenses decreased in 2007.

Dividend income from holdings amounted to HUF 73 million.

Net commission income totalled HUF 3,482 million in 2007, which represents a 11% growth over the 2006 commission result. The rise in income is principally thanks to the growth in income of Equity Markets and Structured Financing.

Within the investment service income (not including trading activities), the income from custodian activities (HUF 1,245 million) and the income derived from share issue and commission activities (HUF 1,409 million) is substantial, both are higher than in 2006. The strong increase in income from investment services is derived from income from forward interest agreements (HUF 3,312 million), and the amount of positive revaluation difference relating to fair value measurement of derivative transactions is also considerable.

The significant elements of expenses of investment services were fees paid in connection with custodian activities (HUF 237 million) and the various brokerage fees paid (HUF 276 million), the other rise was due to the expenses on the forward rate agreements. The amount of negative revaluation difference relating to fair value measurement of derivative transactions is also considerable.

Other income from business activities decreased, because the 2006 figure included income from the sale of the retail portfolio.

Overhead costs decreased compared to the previous year. The relevant details are set out under Costs broken down by type.

Expenses of other non-financial and investment services include re-charged mediated services, the majority of which falls into the category of material-type services used.

Other expenses further decreased by 13% compared to the previous year. In previous years, provisions were recorded here, which were allocated for the expected costs of the strategic decision on he sale of the Retail division.

Key indicators

Description		2006	2007	Change
Return on equity	Profit after tax / Shareholder's equity	10.9	12.6	+ 1.8
Return on assets	Profit after tax / Total assets	2.1	1.2	- 0.9
Acid-test ratio	Liquid assets + Securities / Current liabilities	33.8	62.3	+ 28.5
Gearing ratio	Shareholders' equity / Total equity and liabilities	18.9	9.4	- 9.5
Fixed asset ratio	Fixed assets / Total assets	10.7	3.8	- 6.9
Fixed asset coverage	Shareholders' equity / Fixed assets	176.0	246.9	+ 70.8

3. *ADDITIONAL INFORMATION*

Staff data

Number of employees

	2006	2007
Staff number as of 31 December	250	226
Annual average number of staff	239	234
- of which: part-time	5	4

Wage costs per staff category

Wage levels kept pace with both inflation and income levels in the sector.

In the current year the Bank paid out HUF 2,022 million as wage costs, 5% less than in the previous financial year. The change in staff number in connection with the sale of the Retail division resulted in a slight decrease in wage costs.

Wage costs break down by category as follows:

Data in HUF million

Staff category	31 December 2006	31 December 2007
Wage cost of full-time employees	2,107	2,001
Wage cost of part-time employees	27	21
Total	**2,134**	**2,022**

Other staff benefits

Data in HUF million

Description	31 December 2006	31 December 2006 taking into account reclassifications	31 December 2007
Meal, work clothing, removal and car cost refunds, contributions, commuting costs	18	41	31
Other payments (entertainment, daily fee, life insurance, etc.)	79	79	49
Non-refundable employer support	7	7	3
Severance pay	2	2	5
Benefit in kind	69	155	159
Total	**175**	**284**	**247**

Remuneration to Board of Directors and Supervisory Board members, advances and loans

The Board of Directors and the Supervisory Board members received no remuneration or advances neither in 2006 nor in 2007, and the Bank did not undertake any guarantee on their behalf.

The portfolio of the loans disbursed to those concerned totalled HUF 9 million as of 31 December 2007 (2006: HUF 26 million) which was granted with interest of 8.5%.

Items reconciling the corporation tax base

In 2007, when determining the corporation tax base, the tax base recorded in the general ledger decreased by HUF 671 million and increased by HUF 292 million according to the Act on Corporation Taxation.

For 2007, the corporation tax liability is HUF 1,005 million for which an advance of HUF 1,112 million was paid. Under corporate special tax, the Bank had a liability of HUF 269 million for which an advance of HUF 215 million was paid.

Based on the decision of the owner, the total 2007 after-tax-profit was paid out as dividend.

Data in HUF million

Description	31 December 2006	31 December 2007
Profit before tax	**6,136**	**6,658**
Disallowed items	**603**	**292**
Liquid assets transferred definitively	404	124
Provisions for future liabilities and costs	96	28
Book depreciation	57	116
Non-business related costs	20	12
Penalties	6	4
Impairment accounted for the tax year (non financial institution)	0	0
Forgiven receivable	5	1
Tax shortfall	15	0
Costs established during self-revision	0	7
Items deductible for tax purposes	**960**	**671**
Provisions for commitments and costs released	433	79
Tax depreciation	73	108
Dividends received	72	73
Non-repayable definitive liquid asset receipts	0	0
Impairment reversed in the tax year (non financial institution)	3	0
Income related to forgiven receivable	1	0
Income established during self-revision	0	0
Foundation support	29	6
100% of local business tax	349	405
Other deductible items	0	0
Tax base	**5,779**	**6,279**
Corporate tax (16%)	925	1005
Credit institution special tax (8%)	491	0
Solidarity tax	86	269
Tax liability	**1,502**	**1,274**
After-tax profit	**4,634**	**5,384**
General provisioning, utilisation	0	0
Use of profit reserve	0	0
Approved dividend, share	4,634	5,384
Retained profit for the year	**0**	**0**

2007 Cash Flow Statement

		Description	31 December 2006	31 December 2007
1	**Interest income**		**26,979**	**25,632**
2	+	Other financial services	3,782	5,381
3	+	Other income	2,142	66
4	+	Income from investment services	4,416	2,395
5	+	Income from non-financial and non-investment services	402	453
6	+	Dividend income	72	73
7	+	Extraordinary income	0	2,700
8	-	Interest expenses	15,605	14,399
9	-	Other financial service expenses	2,709	1,744
10	-	Other expenses	720	692
11	-	Expenses on investment services	-1,412	8,432
12	-	Expenses on non-financial and non-investment services	276	462
13	-	General administrative expenses	8,235	6,699
14	-	Extraordinary expenses	429	2,837
15	-	Current year tax liability	1,502	1,274
16	-	Dividends paid	4,634	5,384
17	**Operating cash flow** (rows 01 – 16)		**5,095**	**-5,223**
18	+ / -	Changes in liabilities	-174,128	227,116
19	+ / -	Changes in receivables	-6,629	-41,897
20	+ / -	Changes in stocks	1	-5
21	+ / -	Changes in securities disclosed under current assets	254	-172,190
22	+ / -	Changes in securities recognised under fixed assets	8,799	2,636
23	+ / -	Change in assets under construction	-3	3
24	+ / -	Changes in intangible assets	-53	-60
25	+ / -	Changes in tangible assets	-234	7
26	+ / -	Changes in prepaid expenses and accrued income	1,178	-2,169
27	+ / -	Changes in accrued expenses and deferred income	1,448	-13
28	+	Share issuance at selling rate	0	0
29	+	Liquid assets received definitively based on legal regulations	0	0
30	-	Liquid assets transferred definitively based on legal regulations	0	0
31	-	Face value of withdrawn treasury shares and equity bonds	0	0
32	**Net cash flow** (rows 17 – 31) of which: - changes in cash reserves - changes in money on account		**-164,272** -87 -164,185	**8,205** 45 8,160

Miscellaneous

On the balance sheet date, the joint value of large exposures (receivables exceeding 10% of regulatory capital [HUF 4,797 million]) totalled HUF 51,917 million as per Section 79 (3) of the Credit Institutions Act.

The Bank has been a member of the National Deposit Insurance Fund since 1993. The Bank paid HUF 5 million into the Fund in the reporting year (2006: HUF 6 million).

Since August 1997, the Bank has been a member of the Investor Protection Fund, paying a contribution in the current year of HUF 6 million (2006: HUF 6 million).

The balance sheet contains no liabilities that are secured with liens or similar rights.

The Bank was not engaged in research and development, thus no such costs were accounted for.

The Bank is not affected directly by environmental issues.

Budapest, 28 April 2008.

ING Bank Zrt.
1068 Budapest, Dózsa György út 84/b.
Bejegyezve: Fővárosi Bíróság, mint Cégbíróság
Cg.: 01-10-041684
46.

Dr. István Salgó
Chief Executive Officer

Andrea Turcsányi
Chief Financial Officer

Management Report

Year 2007

The economic environment

In Hungary the economy slowed down substantially in 2007 from around 4% YoY (year-on year) to 1.3% as a negative effect of the fiscal consolidation.

The budget deficit's reduction was more impressive than the market expected as it was cut from 9.2% of GDP in 2006 (without such a fast reaction after the election it could have been above 11%) to 5.7% in 2007 and may be around 4% in 2008, helping the C/A in turn.

As regulated price hikes were part of the fiscal consolidation package, and the economy was also hit by the food and energy price shock, inflation accelerated to an average 8% YoY in 2007. Such high inflation makes achieving the 3% inflation target questionable even for 2009.

Financial results

ING Wholesale Banking Hungary closed the 2007 fiscal year with HUF 5,4 billion after tax result. Result increased by 16% compared to 2006. The increase is coming from a strong 11% higher fee income generation and the benefit of 20% expense reduction.

Wholesale revenues increased compared to last year mainly driven by fee – related incomes. Equity Markets achieved record income regarding huge turnovers in BSE while Structured Finance advisory was also unique in 2007, those two products are the main contributors of the good result. Net interest income remained at the same level as last year.

Expenses are amounting 6,6 billion that is remarkably lower than the last year figure, 8,2 billion. Behind the decrease the main factor is the sale of 2006 retail business activities. The re-shaped Wholesale Banking structure is more cost effective both in absolute and relative terms.

The Total Balance Sheet of the Bank amounted to HUF 453 billion that is two times higher than the last year closing balance. However taking into account the average balance of the bank during the reported periods the increase is much lower, 7%.

Financial Markets

2007 was a difficult year. Volatility of market prices was significantly lower than a year earlier and spreads on the interbank market decreased further. We have tried to set off decreasing revenues by opening larger positions. Competition in the market increased further, what our experience is that 4-5 treasuries are really active on both sides of the market, ING amongst these. We were able to strengthen our market positions. We are market leaders in the market of government securities, which was awarded by the Government Debt Agency with the „Best Primary Broker" award. We have a top market position in foreign exchange and in the short term interest market.

In 2008 we will increase our revenues through increasing Sales activities involving lower risks. This will largely depend on the activities of Clients. Regarding Trading our aim is to maintain our market position and to reach a slightly lower result than in 2007. In 2008 we expect to change from some of the systems we are using to Head Office infrastructure. This will mean access to a wider product range, on the long term providing potentials to increase our revenues. This effect will not be felt in 2008.

Equity Markets

2007 was a very successful year for Equity Markets. The product has reached record income, the highest in its history since its establishment in 1994. This was primarily caused by intense client activity, especially from international institutional investors, and also to a major Hungarian player to execute its share buyback program. Costs remained under control; cost/income ratio of just below 30% puts EM as one of the most efficient products within ING WB Budapest. EM was also one of the main contributors to economic profit growth. Client base has further developed throughout the year, with main focus on acquiring new foreign clients and strengthening positions with domestic institutions. The launch of our new direct market access (DMA) service gave us a strong base to developing electronic trading and thus reaching a new range of clients. Our Research product continued to be enjoying clients' recognition which materialised in several good rankings and awards.

2008 seems to be a year hard to predict, especially in the light of current market turbulences and global recession woes. However, the strong client base, the quality of services being offered by EM, and the primary deal pipeline gives us hope we can achieve another successful business year in 2008.

Structured Products

Structured Products has closed an excellent year in 2007 in spite of the emerging sub-prime crisis.

Traditional activities (syndicated loans, M&A, structured finance, and financial advisory related to it) maintained their importance. The syndicated loan provided to MOL in the amount of 2,1 billion EUR – where ING Wholesale Banking was co-lead manager- was an outstanding transaction. Phase III. of the M6 PPP highway project was also a significant transaction, where ING was the financial advisor of the Ministry of Transport and Economics. The success of the project is shown that it has won the „PPP transaction of the year" in the EMEA region by PFI (Project Finance International Magazine). This award recognises that the financial closing of the deal took place within a record time – less than 8 months following the issuance of the tender invitation – the complexity and the net present value of the project.

Corporate Finance advisory gained important role, mainly in providing a number of advisory tasks in the energy sector, and in being facility agent and security agent in these transactions.

Despite of the crisis in the lending market having a spillover effect in 2008, the coming year seems to be promising specifically in advisory deals related to structured lending and corporate finance.

General Lending

In 2007 we were able to maintain our portfolio on the required level. The excellent quality of the loan portfolio did not deteriorate due to the conservative approach used for lending decisions.

Payments and Cash Management

In the course of 2007 we have taken further considerable steps towards improving the efficiency of our payment processing systems and procedures, besides achieving compatibility with local and international mandatory requirements, such as the changes in the wake of the new relevant legislation of the National Bank of Hungary, or the FATF-VII. We endeavored assisting our clients in achieving a higher level of efficiency in their payment processing, as this is a focal issue for the majority of our clientele. ING, being the forerunner of the SEPA initiative, has played a crucial role in moving the project from the planning to the execution phase, and thus ING in Hungary contributed to the preparation of the National SEPA Adherence Pack, while working on the local SEPA compliancy. For the 8th consecutive year we have received the TMI Award for "Best Cash Management Bank in Central & Eastern Europe" and for the first time, ING received the same award for "Best Cash Management Bank in Europe", especially in view of its pro-active approach to the SEPA initiative.

Securities Services and Financial Institutions

Securities Services and Financial Institutions Department (Custody) had a very challenging year in 2007 in terms of business environment. The whole year could be characterized by sharpening competition and flat market conditions. The market value of our clients' portfolio reached HUF 2 035 billion by the end of the year which still means increase comparing to 2006 but the year end uncertainty in the global capital market hit our clients' portfolio as well. We have made a significant investment is our operation as in December 2007 our custody platform were changed in order to improve the quality of the service.

Human Resources & Leadership Development

ING Wholesale Banking employed 220 people at the end of the year, which is a 14% decrease compared to 2006, mainly due to the sale of retail activities. We expect a slight increase in staff for 2008 due to the planned increase in business areas.

Credit, Market and Operational Risk Management

The Risk Management of the Bank represents the second line of defence in maintaining the stable solvency and reliable liquidity of the Bank in compliance with all relevant local regulations and group policies. Risk Management did co-operate with Product and Client relationship areas successfully to manage the controlled risk profile of the business activities in 2007 as well. The awareness and understanding of the financial and operational risks helped to maintain the optimal risk/return balance in all product lines. The Bank closed the year 2007 without credit losses and kept the level of market and operation risk losses under close control.
In 2007 the Bank managed to further increase the reserves for potential future unexpected risk losses. The risk consciousness and high quality of control was recognized by the substantially increased level of local credit decision competence assigned by the CEE regional management of ING Group to the local approval signatories.

In 2007 the credit portfolios of General Lending and Structured Products showed stability along with an organic increase during the year. The quality of the portfolio remained good. By the end of 2007 no specific credit risk provisions have been established either under the Hungarian Accounting Standards or in IFRS provisioning. The IBNR standard provisions decreased over the year by 35% and remained below 0.1% of the total credit exposures. The non-financial provisions (for litigation claims and operational risk) and provisions for non-credit claims increased from HUF 50.9mio to HUF 58.3mio, but remained still on insignificant level.

The crisis signals of the global credit markets and the slow-down of the local economy did show only limited direct impact on the local portfolios yet. The clientele is strongly selected from risk point of view. The Bank does not offer purely asset collateral driven highly leveraged lending products without comprehensive risk analysis of the debt repayment capacities of the clients. We experienced however certain signals of the growing credit risks in the portfolio. The rating distribution analyses of the credit portfolio show stable average probabilities of default (PD of 1.07% in 2007 vs. 1.02% in 2006), but along with slight increase of default probabilities in the worse risk categories. The investment grade clients typically maintained their strong rating positions, while the small portfolios in low-end of speculative categories did slightly deteriorate over the year.

As part of the shareholders' value focus in lending, the major emphasizes were placed on economic capital optimization. By the better credit facility and collateral structures we could control the economic capital requirement efficiently. It was also part of the Basel II preparation of the Bank.

The Bank targets the usage of Advanced Internal Rating Based credit risk capital requirement method from 2008 while for operational risks the Basic Indicator Approach and for market risks the Standard method is applied. The Bank is prepared for the implementation of Basel II requirements, the local and group level regulatory approvals are expected by Q1 2008. The Bank does not expect substantial change in the required capital level under Basel II. The available accounting capital ensures a very high level of solvency for 2008 as well.

The active role of the Bank on financial markets requires close control of market risk positions. The extensive control of interest rate and foreign currency positions (e.g. open position caps, VaR limits, stop-loss limits, product and tenor controls, portfolio sensitivity monitoring and issuer limits) and the liquidity monitoring were further strengthened during the year. The Bank is operating at a relatively low level of market risks. The potential loss on interest rate and currency risk positions is kept permanently under 1% of the total equity and below 0.1% of the total balance sheet of the Bank. The liquidity problems on the global money market required more effective liquidity control from August 2007. The liquidity position of the Bank remained very strong. Both the Bank and the Group have easy access to funds on the financial markets. The trading activities are following the small margin with large volume business strategy. The client oriented sales activity is running parallel strategies as to increase the volume of thin margin plain vanilla products, but also to enhance the sales of more complex products and structured derivative transactions. As a consequence, the control techniques of market and counterparty risk management are also subject of permanent development in the coming years.

In the last years the organization and processes of the Bank showed a strengthened awareness of operational risks. The Operational Risk Management has maintained the effective governance and control of operational risk identification, measurement, reporting and risk monitoring. The changes in size of the operation and the improvements in the qualitative controls are directly reflected in the allocated operational risk economic capital of the Bank. The accounting capital of the Bank gives sufficient cover for unexpected operational risk losses.
As a signal for strengthened focus of control and segregation of responsibilities, the management decided to integrate the IT and Physical/Personal security risk control functions into the Risk Management area by establishing the integrated Operational-, Information- and Security Risk Management in the Bank.

No significant event has happened following the closing of the books and between the preparation of this report.

Budapest, 28 April 2008

Dr. Salgó István
Chief Executive Director

ING Bank Zrt.
1068 Budapest, Dózsa György út 84/b.
Bejegyezve: Fővárosi Bíróság, mint Cégbíróság
Cg.: 01-10-041684
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Turcsányi Andrea
Chief Financial Officer