Annual Report 2009

ING Bank N.V. Hungary Branch

The English version Annual Report of ING Bank N.V. Hungary Branch is the unauthentic translation of the official Hungarian Annual Report and therefore it is considered solely as an indicative material. Source of the 2009 English Annual Report is the Hungarian version with Independent Auditors' Report.

Az ING Bank N.V. Magyarországi Fióktelepe 2009-es éves beszámolójának angol nyelvű szövege az eredeti magyar nyelven elkészített éves beszámoló nem hiteles fordítása, ezért az angol nyelvű szöveg csak és kizárólag tájékoztató jellegű anyagnak minősül. A 2009-es éves beszámoló hiteles forrása a könyvvizsgálói záradékkal ellátott magyar nyelvű szöveg.

BALANCE SHEET - Assets

Data in HUF million

Description	Opening data 31 Dec 2008	Current year data 31 Dec 2009
1. Liquid assets	**73 202**	**11 300**
2. Government securities	**177 164**	**140 169**
a) trading securities	176 761	140 203
b) investment securities	0	0
2/A Valuation difference on government securities	**403**	**-34**
3. Receivables from financial institutions	**78 065**	**59 831**
a) on demand	4 234	3 471
b) other receivables from financial services	73 368	55 908
ba) current receivables	73 368	55 408
Of which: - from related parties	55 208	32 130
- from other related parties	0	0
- from the National Bank of Hungary	0	0
- from clearing house	109	128
bb) long-term receivables	0	500
Of which: - from related parties	0	500
- from other related parties	0	0
- from the National Bank of Hungary	0	0
- from clearing house	0	0
c) from investment services	463	452
Of which: - from related parties	9	10
- from other related parties	0	0
- from clearing house	450	426
3/A Valuation difference on receivables from financial institutions	**0**	**0**
4. Receivables from customers	**118 645**	**125 283**
a) from financial services	113 251	124 075
aa) current receivables	62 622	71 011
Of which: - from related parties	1 598	2 843
- from other related parties	0	0
ab) long-term receivables	50 629	53 064
Of which: - from related parties	0	374
- from other related parties	0	0
b) from investment services	5 394	1 208
Of which: - from related parties	4 364	0
- from other related parties	0	0
ba) receivables from stock exchange investment services	0	0
bb) receivables from OTC investment services	0	0
bc) customer receivables from investment service activities	5 374	1 177
bd) receivables from the clearing house	0	0
be) receivables from other investment services	20	31
4/A Valuation difference on receivables from customers	**0**	**0**
5. Debt securities	**0**	**0**
a) issued by local governments or other government institutions	0	0
aa) trading securities	0	0
ab) investment securities	0	0
b) issued by other entities	0	0
ba) trading securities	0	0
Of which: - issued by related parties	0	0
- issued by other related parties	0	0
- redeemed treasury shares	0	0
bb) investment securities	0	0
Of which: - issued by related parties	0	0
- issued by third parties	0	0
5/A Valuation difference on debt securities	**0**	**0**
6. Shares and other securities with variable yields	**0**	**0**
a) trading shares and participations	0	0
Of which: - issued by related parties	0	0
- issued by other related parties	0	0
b) variable-yield securities	0	0
ba) trading securities	0	0
bb) investment securities	0	0
6/A Valuation difference on shares and other variable-yield securities	**0**	**0**

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Description	Opening data 31 Dec 2008	Current year data 31 Dec 2009
7. Investment shares and participations	**74**	**73**
a) investment shares and participations	74	73
Of which: - participation in financial institutions	0	0
b) adjustment of investment shares and participations	0	0
Of which: - participation in financial institutions	0	0
7/A Valuation difference on investment shares and participations	**0**	**0**
8. Shares and participations in related parties	**0**	**0**
a) investment shares and participations	0	0
Of which: - participation in financial institutions	0	0
b) adjustment of investment shares and participations	0	0
Of which: - participation in financial institutions	0	0
9. Intangible assets	**219**	**212**
a) intangible assets	219	212
b) adjustment of intangible assets	0	0
10. Tangible assets	**522**	**456**
a) tangible assets held for financial services and investment purposes	305	280
aa) property	209	184
ab) technical equipment, machines, fixtures, vehicles	96	96
ac) capital expenditures	0	0
ad) advance payments on capital expenditures	0	0
b) tangibles assets not held for financial services and investment purposes	217	176
ba) property	0	0
bb) technical equipment, machines, fixtures, vehicles	217	176
bc) capital expenditures	0	0
bd) advance payments on capital expenditures	0	0
c) adjustment of tangible assets	0	0
11. Treasury shares	**0**	**0**
12. Other assets	**645**	**1 967**
a) stocks	4	10
b) other receivables	641	1 957
Of which: - from related parties	569	355
- from other related parties	0	0
12/A Valuation difference on other receivables	**0**	**0**
12/B Positive valuation difference on derivatives	**19 093**	**8 689**
13. Prepaid expenses and accrued income	**10 388**	**4 741**
a) accrued income	10 344	4 498
b) prepaid expenses	44	243
c) deferred expenses	0	0
Total assets	**478 017**	**352 721**
Of which: - CURRENT ASSETS	416 185	293 675
- FIXED ASSETS	51 444	54 305

Budapest, 9 April 2010

Dr. Salgó István	Réthy Gyula
Chief Executive Officer	Chief Financial

BALANCE SHEET – Equity and Liabilities

Data in HUF million

Description	Opening data 31 Dec 2008	Current year data 31 Dec 2009
1. Liabilities to financial institutions	**283 891**	**177 126**
a) on demand	7 757	5 487
b) fixed-term liabilities from financial services	275 420	170 769
ba) current liabilities	269 791	170 639
Of which: - to related parties	236 393	152 612
- to other related parties	0	0
- to the National Bank of Hungary	25 000	0
- to clearing houses	0	0
bb) long-term liabilities	5 629	130
Of which: - to related parties	5 481	0
- to other related parties	0	0
- to the National Bank of Hungary	0	0
- to clearing houses	0	0
c) from investment services	714	870
Of which: - to related parties	509	840
- to other related parties	0	0
- to clearing houses	205	29
1/A Valuation difference on liabilities to financial institutions	**0**	**0**
2. Liabilities to customers	**117 943**	**106 936**
a) savings deposits	0	0
aa) on demand	0	0
ab) current liabilities	0	0
ac) long-term liabilities	0	0
b) other liabilities from financial services	113 561	106 476
ba) on demand	68 051	61 492
Of which: - to related parties	7 672	8 197
- to other related parties	0	0
bb) current liabilities	45 510	44 984
Of which: - to related parties	6 295	11 606
- to other related parties	0	0
bc) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
c) from investment services	4 382	460
Of which: - to related parties	4 353	9
- to other related parties	0	0
ca) liabilities from stock exchange investment services	0	0
cb) liabilities from OTC transactions	0	0
cc) liabilities from investment services	4 382	460
cd) liabilities from clearing house	0	0
ce) liabilities from other investment services	0	0
2/A Valuation difference on liabilities to customers	**0**	**0**
3. Liabilities from issued securities	**0**	**0**
a) issued bonds	0	0
aa) current liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
ab) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
b) other issued debt securities	0	0
ba) current liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
bb) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
c) documents not qualifying as debt securities, treated as securities	0	0
ba) trading securities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
cb) long-term liabilities	0	0
Of which: - to related parties	0	0
- to other related parties	0	0

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Description	Opening data 31 Dec 2008	Current year data 31 Dec 2009
4. Other liabilities	**11 671**	**12 487**
a) current liabilities	11 617	12 487
Of which: - to related parties	7 540	9 405
- to other related parties	0	0
- for financial institutions operating as co-operatives: cash contribution of members	0	0
b) long-term liabilities	54	0
Of which: - to related parties	54	0
- to other related parties	0	0
4/A Negative valuation difference on derivatives	**10 689**	**6 991**
5. Accrued expenses and deferred income	**8 307**	**3 620**
a) deferred income	415	529
b) accrued expenses	7 888	3 087
c) deferred extraordinary revenues and negative goodwill	4	4
6. Provisions	**1 871**	**1 916**
a) provisions for pensions and severance payment	2	2
b) provisions for contingent and future liabilities (commitments)	40	97
c) general risk provisions	1 209	1 209
d) other provisions	620	608
7. Subordinated debt	**0**	**0**
a) subordinated loan capital	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
b) for financial institutions operating as co-operatives: other cash contribution of members	0	0
c) other subordinated debt	0	0
Of which: - to related parties	0	0
- to other related parties	0	0
8. Issued capital	**2**	**2**
Of which: - participation redeemed at face value	0	0
9. Issued but unpaid capital (-)	**0**	**0**
10. Capital reserve	**43 643**	**43 643**
a) difference of the nominal value and issuing price of shares and participations (premium)	0	0
b) other	43 643	43 643
11. General reserve	**0**	**0**
12. Retained earnings (+-)	**0**	**0**
13. Tied-up reserves	**0**	**0**
14. Revaluation reserve	**0**	**0**
a) revaluation reserve on value adjustments	0	0
b) fair value reserve	0	0
15. Profit or loss for the year (+-)	**0**	**0**
Total equity and liabilities	**478 017**	**352 721**
Of which: - CURRENT LIABILITIES	418 511	303 410
- LONG-TERM LIABILITIES	5 683	130
- EQUITY	43 645	43 645

Contingent liabilities	162 044	227 452
Future liabilities	822 938	1 015 652
Contingent receivables	12	9
Future receivables	952 412	1 024 009

Budapest, 9 April 2010

Dr. Salgó István
Chief Executive Officer

Réthy Gyula
Chief Financial

PROFIT AND LOSS STATEMENT

Data in HUF million

	Description	Opening data 08 Aug 2008 -	Current year data 31 Dec 2009
1.	**Interest and similar income received**	**10 045**	**29 755**
	a) on fixed-interest debt securities	5 078	17 704
	Of which: - from related parties	0	0
	- from other related parties	0	0
	b) other interest and similar income received	4 967	12 051
	Of which: - from related parties	1 041	1 291
	- from other related parties	0	0
2.	**Interest payable and similar expenditures**	**5 727**	**10 134**
	Of which: - from related parties	3 454	5 497
	- from other related parties	0	0
	INTEREST MARGIN (1-2)	**4 318**	**19 621**
3.	**Revenues from securities**	**0**	**112**
	a) revenues from trading shares and securities	0	0
	b) revenues from participations in related parties	0	0
	c) revenues from other participations	0	112
4.	**Commissions and fees received or due**	**1 857**	**6 059**
	a) from the revenues from other financial services	1 311	4 170
	Of which: - from related parties	161	444
	- from other related parties	0	0
	b) from the revenues from investment services	546	1 889
	Of which: - from related parties	70	315
	- from other related parties	0	0
5.	**Commissions and fees paid or payable**	**716**	**2 541**
	a) from the expenditures on other financial services	543	1 963
	Of which: - from related parties	9	52
	- from other related parties	0	0
	b) from the expenditures on investment services	173	578
	Of which: - from related parties	2	15
	- from other related parties	0	0
6.	**Net profit/loss on financial operations [6.a)-6.b)+6.c)-6.d)]**	**2 917**	**-2 496**
	a) from the revenues from other financial services	0	3 821
	Of which: - from related parties	0	234
	- from other related parties	0	0
	- valuation difference	0	0
	b) from the expenditures on other financial services	4 417	86
	Of which: - to related parties	0	0
	- to other related parties	0	0
	- valuation difference	0	0
	c) from the revenues from investment services	12 930	18 201
	Of which: - from related parties	814	364
	- from other related parties	0	0
	- reversal of the impairment of trading securities	0	0
	- valuation difference	0	0
	d) from the expenditures on investment services	5 596	24 432
	Of which: - to related parties	470	321
	- to other related parties	0	0
	- impairment of trading securities	0	0
	- valuation difference	0	0
7.	**Other revenues from operations**	**139**	**834**
	a) revenues from other than financial and investment services	121	473
	Of which: - from related parties	67	166
	- from other related parties	0	0
	b) other revenues	18	361
	Of which: - from related parties	0	0
	- from other related parties	0	0
	- reversal of impairment of stocks	0	0

	Description	Opening data 08 Aug 2008 -	Current year data 31 Dec 2009
8.	**General administrative expenses**	**1 593**	**6 863**
	a) payments to personnel	611	2 914
ba)	aa) payroll	412	2 041
	ab) payments to personnel	59	192
	Of which: - social security costs	7	37
	= pension related costs	5	8
	ac) social security and similar deductions	140	681
	Of which: - social security costs	128	603
	= pension related costs	103	502
	b) material type expenditures (materials and supplies)	982	3 949
9.	**Depreciation**	**40**	**197**
10.	**Other expenditures on operations**	**624**	**2 086**
	a) expenditures on other than financial and investment services	75	709
	Of which: - to related parties	69	458
	- to other related parties	0	0
	b) other expenditures	549	1 377
	Of which: - to related parties	3	14
	- to other related parties	0	0
	- impairment of stocks	0	0
11.	**Impairment of receivables and risk provision for commitments and contingent liabilities**	**131**	**470**
	a) impairment of receivables	119	406
	b) risk provisions for contingent liabilities and for (future) commitments	12	64
12.	**Reversal of impairment of receivables and use of risk provision made for commitments and contingent liabilities**	**1**	**127**
	a) reversal of impairment of receivables	1	120
	b) use of risk provision made for commitments and contingent liabilities	0	7
	12/A Difference between general risk reserve allocated and used	**0**	**0**
13.	**Impairment of investment debt securities and shares and participations in related parties and other related parties**	**0**	**0**
14.	**Reversal of impairment of investment debt securities and shares and participations in related parties and other related parties**	**0**	**0**
15.	**Profit or loss on ordinary activities**	**6 128**	**12 100**
	Of which: - PROFIT ON FINANCIAL AND INVESTMENT SERVICES	6 082	12 336
	Of which: - PROFIT ON OTHER THAN FINANCIAL INVESTMENT SERVICES	46	-236
16.	**Extraordinary revenues**	**0**	**0**
17.	**Extraordinary expenditures**	**77**	**507**
18.	**Extraordinary profit/loss (16-17)**	**-77**	**-507**
19.	**Profit before tax (+/-15+/-18)**	**6 051**	**11 593**
20.	Tax liability	1 217	2 277
21.	**Profit after tax (+/-19-20)**	**4 834**	**9 316**
22.	General provision made and used (+/-)	0	0
23.	Dividends paid from retained earnings	0	0
24.	Dividends paid (approved)	4 834	9 316
	Of which: - to related parties	4 834	9 316
	- to other related parties	0	0
25.	**Profit or loss for the year (+21-/+22+23-24)**	**0**	**0**

Budapest, 9 April 2010

Dr. Salgó István
Chief Executive Officer

Réthy Gyula
Chief Financial

Notes to the Financial Statements

31 December 2009

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NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2009

1. GENERAL NOTES

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

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

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

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

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

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

The IT environment of the Branch

Atlas system

The Branch applies the integrated accounting and information system (“Atlas”) developed (and constantly upgraded) by the parent company in Amsterdam and generally used by the international branch network. The business events related to the banking products are recorded in this computer system, and the basis of the Hungarian trial balance complying with the requirements of the accounting law is the trial balance generated by this system. As a specific characteristic of the system, the impact of events which became known after 31 December but before the date of drawing up the balance sheet and affect the preceding year cannot be entered into the system as data of the preceding year. Therefore, the data of the “leafed through” Hungarian trial balance are adjusted by using those data recorded in the journal which pertain to the events that become known in the relevant period and affect the preceding financial year.

EXACT system

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

System generating the integrated trial balance of the Branch

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

The Accounting Policies of the Branch

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

The accounting policies set out the rules of:

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

Reporting rules

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

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

In respect of 31 December 2009, the date of drawing up the balance sheet was 5 January 2010.

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

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

Valuation policies

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

Fair value method

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

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

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

Securities held for trading

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

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

Securities available for sale

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

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

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

Derivative transactions

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

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

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

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

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

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

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

Detailed description of applied procedures

Securities

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

Financial instruments (forward, swap, FRA)

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

Interest rate swaps

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

Historic cost method of valuation – other valuation rules

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

Securities held to maturity

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

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

Other valuation rules

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

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

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

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

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

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

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

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

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

	31 December 2008	31 December 2009
Other concessions, licenses and similar rights	17	17
Software user licences	33	33
Computers (PCs)	33	33
Other IT equipment	33	33
Servers	25*	33
Other technical equipment	20	20
Other equipment, installations	14,5	14,5
Vehicles	33	33
Improvements on third party property	6-17	6-17

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

The Branch does not have an obligation to prepare consolidated financial statements as at 31 December 2009.

The owner ING Bank N. V. Amsterdam includes in its consolidated financial statements prepared in compliance with the International Accounting Standards accepted by the European Union all shareholdings exceeding 50% – including the Branch – fully. The annual report for the year 2009 is available at www.ing.com.

The owner of ING Bank N. V. Amsterdam, ING Groep N.V. Amsterdam includes our owner in its consolidated financial statements prepared in accordance with similar principles. The annual report for the year 2009 is available at www.ing.com.

Accounting services

Person responsible for leading and managing the accounting tasks performed in the year 2009:

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

Auditing the annual financial statements of the Branch

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

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

Auditor:

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

The fee for auditing the financial statements for the present financial year is HUF 7 million, including VAT. The Branch recognised HUF 9 million as cost of other services provided by the auditor in the reporting period.

The annual financial statements are signed by:

- Dr. István Salgó — ING Bank N.V Hungarian Branch
Chief Executive Officer
1023 Budapest, Apostol u. 8.

- Gyula Réthy — ING Bank N.V Hungarian Branch
Chief Financial Officer
1028 Budapest, Harmatcsepp u. 11.

2. Specific Notes

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

Tangible assets and intangible assets

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

The transformation leading to the creation of the Branch as implemented at book value. At the time of transformation, the tangible and intangible assets of the acquired companies (ING Bank Zrt., ING Duna Kft. and ING RÜK Kft.) were entered into the books of the Branch at the closing net values disclosed by the acquired companies, and the net book value of the predecessors became the gross historic cost of the assets of the Branch.

Gross value of tangible and intangible assets

Figures in HUF m

Description	31 December 2008	Purchase	Sale	Capitali-zation	Other change (reclassifi-cation, discarding)	31 December 2009
Intangible assets	**236**	**192**	**0**	**103**	**0**	**325**
Other concessions, licenses and similar rights *	0	0	0	0	0	0
Software user licences	236	192	0	103	0	325
Tangible assets	**545**	**130**	**30**	**65**	**-3**	**577**
Tangible assets serving banking activities directly	*319*	*74*	*0*	*37*	*0*	*356*
Improvements on third party property	216	4	0	0	0	220
IT equipment	43	25	0	0	0	68
Other equipment, fittings	60	8	0	0	0	68
Investment	0	37	0	37	0	0
Tangible assets serving banking activities indirectly	*226*	*56*	*30*	*28*	*-3*	*221*
Vehicles	216	28	30	0	-3	211
Works of art	10	0	0	0	0	10
Investments	0	28	0	28	0	0
Total	**781**	**322**	**30**	**168**	**-3**	**902**

* value below HUF 1 million

Accumulated depreciation of tangible assets and accumulated amortization of intangible assets

Figures in HUF m

Description	31 December 2008	Ordinary deprecia-tion/amor-tization	Sale	Capitali-zation	Other change (reclassify-cation, discarding)	31 December 2009
Intangible assets	**17**	**96**	**0**	**0**	**0**	**113**
Other concessions, licenses and similar rights *	0	0	0	0	0	0
Software user licences	17	96	0	0	0	113
Tangible assets	**23**	**101**	**3**	**0**	**0**	**121**
Tangible assets serving banking activities directly	*14*	*62*	*0*	*0*	*0*	*76*
Improvements on third party property	7	29	0	0	0	36
IT equipment	3	17	0	0	0	20
Other equipment, fittings	4	16	0	0	0	20
Investment	0	0	0	0	0	0
Tangible assets serving banking activities indirectly	*9*	*39*	*3*	*0*	*0*	*45*
Vehicles	9	39	3	0	0	45
Works of art	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Total	**40**	**197**	**3**	**0**	**0**	**234**

* value below HUF 1 million

Net value of tangible and intangible assets

Figures in HUF m

Description	31 December 2008	Increase	Decrease	Capitali-zation	Other change (reclassifi-cation, discarding)	31 December 2009
Intangible assets	**219**	**96**	**0**	**103**	**0**	**212**
Other concessions, licenses and similar rights *	0	0	0	0	0	0
Software user licences	219	96	0	103	0	212
Tangible assets	**522**	**29**	**27**	**65**	**-3**	**456**
Tangible assets serving banking activities directly	*305*	*12*	*0*	*37*	*0*	*280*
Improvements on third party property	209	-25	0	0	0	184
IT equipment	40	8	0	0	0	48
Other equipment, fittings	56	-8	0	0	0	48
Investment	0	37	0	37	0	0
Tangible assets serving banking activities indirectly	*217*	*17*	*27*	*28*	*-3*	*176*
Vehicles	207	-11	27	0	-3	166
Works of art	10	0	0	0	0	10
Investments	0	28	0	28	0	0
Total	**741**	**125**	**27**	**168**	**-3**	**668**

* value below HUF 1 million

Until 31 December 2009, HUF 103 million software user licences had been capitalized. At the end of the year, intangible assets did not include non-capitalized acquisitions.

HUF 25 million new IT equipment (servers) and HUF 8 million technical equipment was purchased.

Five company cars were purchased during the year, that value amounted to HUF 28 million, and nine company cars were sold with a value of HUF 27 million. One car was derecognized in the amount of HUF 3 million due to theft.

Provisions made and used in the reporting period

As at 31 December 2008, the books of the Branch included HUF 40 million provisions for contingent and future liabilities relating to a legal claim with a value of HUF 33 and HUF 7 million provision as a result of an audit carried out by the Local Tax Authority. In 2009, the Company built additional provision for legal claims with a value of HUF 38 million and for derivative deals with the amount of HUF 26 million. The HUF 7 million provision set for audit provided by the Tax Authority last year was used entirely during 2009.

As at 31 December 2008, the other provision comprised the following items: HUF 410 million for future office rent, HUF 137 million amortization costs of third party properties improvements, HUF 51 million for redundancies due to reorganization, HUF 22 million for extraordinary costs of card business. In the reporting period, the Branch from the office rent provision used HUF 52 million and released HUF 218 million, from provision built for covering the amortization costs the Branch used HUF 24 million. The Bank released and used from last years provision for redundancies due to reorganization of the amount HUF 31 million and HUF 4 million respectively. In 2009 the Branch made additional provision for extraordinary costs of card business with a value of HUF 68 million. From 2009 the Bank made provision for transfer risk reserve with value of HUF 158 million corresponding the founder's principles. As a result of self-revision of the local municipality tax relating to 2008 additional provision was set as at 31 December 2009, amounted to HUF 91 million.

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

As at 31 December 2009, the total value of the provisions in the books of the Branch was HUF 1,916 million.

Provisions made and released in the reporting period:

Figures in HUF m

Description	31 December 2008	Increase (made)	Decrease		31 December 2009
			released	used	
Provisions for pension and severance pay	2	0	0	0	2
Provisions for contingent and future liabilities	40	64	0	7	97
Provisions for general risks	1 209	0	0	0	1 209
Other provisions	620	317	222	107	608
Total	**1 871**	**381**	**222**	**114**	**1 916**

Impairment loss recognised and reversed in the reporting period

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

Figures in HUF m

Description	31 December 20098	Increase (made)	Decrease		31 December 2009
			released	used	
Impairment of debtors	118	405	2	115	406
Impairment of investment services	232	1	3	0	230
Impairment of other receivables	0	0	0	0	0
Impairment of shares	0	0	0	0	0
Impairment of debt securities	0	0	0	0	0
Total	**350**	**406**	**5**	**115**	**636**

The Branch recorded HUF 405 million impairment loss with respect to doubtful receivables and the HUF 115 million previous years' impairment was used in 2009.

Owned securities and shares

Owned government securities held for trading

Portfolio held for trading

Figures in HUF m

Description of security	Nominal value	Book value	Valuation difference	Market value
C2010/B	3 899	3 878	35	3 913
C2010/C	4 057	4 061	*0	4 061
C2010/D	3 693	3 682	9	3 691
C2011/A	152	154	*0	154
C2011/B	1 029	1 019	-3	1 016
C2012/B	2	2	*0	2
C2012/C	1 508	1 474	-11	1 463
C2013/D	65	64	*0	64
C2013/E	2 408	2 417	-17	2 400
C2014/C	16	15	*0	15
C2015/A	187	190	-1	189
C2016/C	842	761	-18	743
C2017/A	887	820	-7	813
C2017/B	378	344	5	349
C2019/A	401	361	-5	356
C2020/A	1 311	1 272	-20	1 252
C2023/A	88	74	-1	73
Total	**20 923**	**20 588**	**-34**	**20 554**

* value below HUF 1 million

Figures in HUF m

Description of security	Nominal value	Book value	Accrued interest	Market value
D100106	55	55	*0	55
D100113	20	20	*0	20
D100127	9 808	9 649	114	9 763
D100203	8 310	8 181	80	8 261
D100217	6	6	*0	6
D100224	24 137	23 765	145	23 910
D100303	6	6	*0	6
D100310	48	47	*0	47
D100324	72	71	*0	71
D100505	76	74	*0	74
D100630	33 948	32 322	600	32 922
D100825	5 013	4 743	73	4 816
D101020	5 311	5 033	22	5 055
MNB100106	35 218	35 132	49	35 181
MNB100113	512	511	*0	511
Total	**122 540**	**119 615**	**1 083**	**120 698**

* value below HUF 1 million

Portfolio held-to-maturity

The Branch had no held-to-maturity portfolio at year-end 2009.

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

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

Figures in HUF m

Securities traded on a stock exchange and in OTC markets	Current assets		Fixed assets
	Traded on a stock exchange	OTC	
Government bonds	20 588	0	0
Discount treasury bills	83 972	0	0
MNB bond	0	35 643	0
Total	**104 560**	**35 643**	**0**

The Branch does not have any foreign securities.

Owned shares held for investment

Figures in HUF m

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

* Value below HUF 1 million

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

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

Figures in HUF m

Description of balance sheet item	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Receivables	**103 277**	**23 142**	**26 189**	**27 375**	**179 983**
From credit institutions	55 408	0	500	0	**55 908**
From customers	47 869	23 142	25 689	27 375	**124 075**
Payables	**210 567**	**5 056**	**121**	**9**	**215 753**
To credit institutions	166 339	4 300	121	9	**170 769**
To customers	44 228	756	0	0	**44 984**

Subordinated debts including subordinated loan capital

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

Items relating to headquarters, other branches and other related parties

Figures in HUF m

Description	Founder	Other branch	Other related party	Total
Receivables from financial institutions within one year	32 130	0	0	**32 130**
Receivables from financial institutions over one year	500	0	0	**500**
Receivables from financial institutions arising from investment services	0	5	5	**10**
Receivables from customers arising from financial services within one year	0	0	2 843	**2 843**
Receivables from customers arising from financial services over one year	0	0	374	**374**
Receivables from customers arising from investment services	0	0	0*	**0***
Other receivables within one year	12	140	203	**355**
Liabilities to financial institutions within one year	124 883	26 813	916	**152 612**
Liabilities to financial institutions arising from investment services	0	840	0	**840**
Liabilities to customers on demand	0	0	8 197	**8 197**
Current liabilities to customers	0	0	11 606	**11 606**
Liabilities within one year arising from investment services	0	0	9	**9**
Other liabilities within one year	9 398	0	7	**9 405**
Other interest and similar income received	934	49	308	**1 291**
Interest payable and similar charges	4 767	65	665	**5 497**
Commissions received from the revenues from other financial services	80	8	356	**444**
Commissions received from the revenues from investment services	51	35	229	**315**
Commissions paid from the expenditures on other financial services	28	0	24	**52**
Commissions paid from the expenditures on investment services	0	4	11	**15**
Revenues from other financial services	16	0	218	**234**
Revenues from investment services	301	0	63	**364**
Expenditures on investment services	0	0	321	**321**
Other revenues from other than financial and investment services	80	59	27	**166**
Other expenditures on other than financial and investment services	73	250	135	**458**
Other expenditures	0	7	7	**14**
Dividends approved	9 316	0	0	**9 316**

* Value below HUF 1 million

Prepayments and accruals

The amount of prepaid expenses and accrued income on the balance sheet on 31 December 2009 was HUF 4,741 million (and HUF 10,388 million on 31 December 2008). Accrued expenses and deferred income amounted to HUF 3,620 million on 31 December 2009 (and HUF 8,307 million at 31 December 2008). The details are as follows:
Regarding interest rate swap transactions – in line with the relevant Government Decree – from 2009 onwards the Branch applied the set-off method by netting the deals. In respect of principle of consistency, we present the 2008 related modified figures in the Supplementary Notes.

Prepaid expenses and accrued income

Figures in HUF m

Description	31 December 2008.	Corrected 31 December 2008	31 December 2009.
Accrued income	**10 344**	**7 797**	**4 498**
Interest receivable from Central Bank and financial institutions	1 256	1 256	57
Interest receivable from customers	882	882	678
Interest receivable on securities	3 906	3 906	1 606
Interest receivable from interest rate swaps	4 017	1 470	1 682
Other accrued income	283	283	475
Prepaid expenses	**44**	**44**	**243**
Prepaid expenses	44	44	243
Total of accrued income and prepaid expenses	**10 388**	**7 841**	**4 741**

Accrued expenses and deferred income

Figures in HUF m

Description	31 December 2008.	Corrected 31 December 2008	31 December 2009.
Deferred income	**415**	**415**	**529**
Deferred guarantee fees	352	352	439
Other deferred income	63	63	90
Accrued expenses	**7 888**	**5 341**	**3 087**
Interest payable to financial institutions	1 940	1 940	229
Interest payable to customers	388	388	193
Exchange rate loss relating to the acquisition of securities	173	173	0
Interest payable in connection with interest rate swaps	4 598	2 051	1 540
Other accrued payables	789	789	1 125
Deferred extraordinary revenues	**4**	**4**	**4**
Deferred extraordinary revenues	**4**	4	4
Total of accrued expenses and deferred income	**8 307**	**5 760**	**3 620**

Changes in shareholders' equity during the year

Figures in HUF m

Description	31 December 2008	Changes in 2009		31 December 2009
		Increase	Decrease	
Issued capital/Dotation capital	2	2	0	2
Capital reserve	43 643	0	0	43 643
General reserve	0	0	0	0
Retained earnings/losses	0	0	0	0
Revaluation reserve	0	0	0	0
Profit or loss for the year	0	0	0	0
Shareholders' equity	**43 645**	**0**	**0**	**43 645**

Endowment capital (Issued capital)

The endowed capital of the Branch amounted to HUF 2 million on 31 December 2009 and is made up of HUF 1 million paid up by the Owner and HUF 1 million of the capital reserve of the acquired Companies transferred to the endowed capital pursuant to the decision of the Founder.

Capital reserve

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

Retained earnings

Retained earnings amounted to zero, the retained earnings (losses) of the acquired Companies were transferred to the capital reserve after the merger and the profit after tax of 31 December 2008 was paid out to the Founder as dividends.

General reserve

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

Liabilities from investment services

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

Figures in HUF m

Name of bank account manager	31 December 2008	31 December 2009
Branch	240	905
Other credit institution	4 651	425
Total	**4 891**	**1 330**

Contingent liabilities and contingent assets

Contingent liabilities

Figures in HUF m

Description	31 December 2008	31 December 2009
Issued guarantee	23 594	24 288
Unused credit facility	138 218	203 024
Promised guarantees	199	69
Liabilities arising from litigations	33	71
Total of contingent liabilities	**162 044**	**227 452**

Future liabilities

Figures in HUF m

Description	31 December 2008	31 December 2009
Spot transactions	82 418	206 672
Forward transactions	667 889	735 086
Security purchase commitment	34 865	44 646
Assigned transactions	7 705	15 375
Forward rate agreements	5 429	846
Interest rate swaps	21 632	13 027
Term deposit lending	3 000	0
Total of future liabilities	**822 938**	**1 015 652**

Contingent receivables

Figures in HUF m

Description	31 December 2008	31 December 2009
Receivables subject to litigation	12	9
Total of contingent receivables	**12**	**9**

Future receivables

Figures in HUF m

Description	31 December 2008	31 December 2009
Spot transactions	82 588	206 505
Forward transactions	661 685	735 784
Security sale commitment	52 418	46 117
Assigned transactions	7 705	15 384
Forward rate agreements	5 487	550
Interest rate swaps	22 393	13 257
Term deposit placement	120 136	6 412
Total of future receivables	**952 412**	**1 024 009**

Other contingent assets and liabilities

Figures in HUF m

Description	31 December 2008	31 December 2009
Third party securities	1 232 032	1 503 874
Guarantee received	9 464	4 219
Securities received	100 713	150 696
Nominal value of FRA purchase	718 791	207 124
Nominal value of FRA sale	720 000	75 000
Nominal value of interest rate swaps	110 000	100 000

Total of third party securities

Figures in HUF m

Type of security	Total nominal value	Place of storage				
		Clearing house	Third party premises	Treasury	Dematerialized	Printed
Deposited securities	1 476 870	1 457 701	106	19 063	1 364 752	112 118
Consignment securities	27 004	26 999	0	5	26 999	5
Total as at 31 December 2009	**1 503 874**	**1 484 700**	**106**	**19 068**	**1 391 751**	**112 123**
Total as at 31 December 2008	**1 232 032**	**1 228 280**	**192**	**3 560**	**1 162 578**	**69 454**

Third party securities deposited

Figures in HUF m

Type of security	Total nominal value	Place of storage				
		Clearing house	Third party premises	Treasury	Dematerialized	Printed
Investment notes	232 360	232 360	0	0	166 643	65 717
Discount treasury bills	65 584	65 584	0	0	65 584	0
Hungarian government bonds	949 252	949 252	0	0	949 252	0
Shares	147 230	128 061	106	19 063	100 829	46 401
Corporate bonds	3 224	3 224	0	0	3 224	0
Debenture bonds	78 499	78 499	0	0	78 499	0
Foreign government bonds	701	701	0	0	701	0
Capital notes	20	20	0	0	20	0
Compensation notes*	0	0	0	0	0	0
Total as at 31 December 2009	**1 476 870**	**1 457 701**	**106**	**19 063**	**1 364 752**	**112 118**
Total as at 31 December 2008	**423 496**	**419 749**	**192**	**3 555**	**354 211**	**69 285**

* Value below HUF 1 million

Third party securities on consignment

Figures in HUF m

Type of security	Total nominal value	Place of storage				
		Clearing house	Third party premises	Treasury	Dematerialized	Printed
Investment notes	235	235	0	0	235	0
Discount treasury bills	9 099	9 099	0	0	9 099	0
Hungarian government bonds	16 065	16 065	0	0	16 065	0
Shares	5	0	0	5	0	5
Corporate bonds	1 600	1 600	0	0	1 600	0
Total as at 31 December 2009	**27 004**	**26 999**	**0**	**5**	**26 999**	**5**
Total as at 31 December 2008	**808 536**	**808 531**	**0**	**5**	**808 367**	**169**

Details of assets received as security or collateral

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

Figures in HUF m

Description of security	31 December 2008	31 December 2009
Cash	104	90
Securities	150	160
Assignment of receivables	984	1 537
Mortgages	24 083	25 735
Other securities (corporate guarantee)	75 392	123 174
Total	**100 713**	**150 696**

Suspended interests

The Branch recorded suspended interest with a value of HUF 4 million as at 31 December 2009 (no suspended interest existed on 31 December 2008).

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

Spot transactions

The spot foreign exchange purchases and sale transactions are recorded in Account Class 0, amounted to HUF 206,672 million on 31 December 2009, calculated at the applicable MNB exchange rate (the contractual value of these transactions were HUF 206,797 million). On 31 December 2008 the value of spot transactions at MNB exchange rate were HUF 82,418 million (contractual value was HUF 82,659 million). These transactions matured by the date of the balance sheet preparation.

Forward transactions

The Branch records forward transactions until their maturity in Account Class 0. At the end of 2009, the year-end value of forward foreign exchange transactions and foreign exchange swap transactions calculated at the applicable MNB exchange rate were HUF 735,086 million (the contractual value of these transactions was HUF 740,854 million). On 31 December 2008 the value of forward transactions at MNB exchange rate were HUF 667,889 million (contractual value was HUF 662,966 million).

The rules of the fair value method of valuation were used to recognize the results of these transactions.

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

Figures in HUF m

Maturity	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Total as at 31 December 2009	537 421	181 373	16 292	0	735 086
Total as at 31 December 2008	556 649	98 101	13 139	0	667 889

Future liabilities from forward rate agreements

Future liabilities of sold forward rate agreements are also recorded in Account Class 0, and their value was HUF 846 million on 31 December 2009 (on 31 December 2008 was HUF 5,429 million).

Figures in HUF m

Maturity	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Total as at 31 December 2009	495	351	0	0	846
Total as at 31 December 2008	2 435	2 680	314	0	5 429

Interest rate swaps

As a result of interest rate swaps, HUF 13,027 million forward liabilities are recorded as off-balance sheet item at the end of the year (on 31 December 2008 HUF 21,632 million).

Figures in HUF m

Maturity	Maturity within 3 months	Maturity over 3 months but within 1 year	Maturity over 1 year	Maturity over 5 years	Total
Total as at 31 December 2009	3 199	2 852	5 795	1 181	13 027
Total as at 31 December 2008	0	1 957	16 086	3 589	21 632

Forward securities transactions

The Branch records forward securities transactions in Account Class 0 at contractual value. On 31 December 2009, the contractual value of the forward purchases of securities were HUF 44,646 million (on 31 December 2008 HUF 34,865 million). These transactions were matured by the date of the balance sheet preparation.

Assigned transactions

The Branch records the assigned transactions as contingent liabilities in Account Class 0, which value was HUF 15,375 HUF million on 31 December 2009 (on 31 December 2008 HUF 7,705 million).

Fair value of derivatives

As a result of applying the fair value method of valuation, the following revaluations had to be taken into account at 31 December 2009, and the following revaluation differences were recognized in the profit until 31 December 2009:

Revaluation gain on derivatives

Figures in HUF m

Description	31 December 2008	31 December 2009	Impact of revaluation on profit
FX swap transactions	7 243	3 380	-3 863
Forward transactions	9 170	4 362	-4 808
Forward rate agreements	1 971	536	-1 435
Interest rate swaps	709	411	-298
Total	**19 093**	**8 689**	**-10 404**

Revaluation loss on derivatives

Figures in HUF m

Description	31 December 2008	31 December 2009	Impact of revaluation on profit
FX swap transactions	4 431	3 286	-1 145
Forward transactions	3 530	2 545	-985
Forward rate agreements	2 067	842	-1 225
Interest rate swaps	661	318	-343
Total	**10 689**	**6 991**	**-3 698**

The aggregate impact of using fair valuation method for derivative transactions was HUF 6,706 million decrease in profit on 31 December 2009 (as at 31 December 2008 a HUF 1,959 million aggregate increase impact was).

At the time of closing the balance sheet, the books of the Branch did not include any real repurchase transactions, securities lending and borrowing agreements (nor in 2008).

Revenues from and expenditures on investment services
From 2009 in recognition of result from investment services the Branch applied the set-off method for interest swap transactions and the segregation of realized gain and losses by security deals. In respect of principle of consistency we present the modified figures relating to 2008 in Supplementary Notes as well.

Figures in HUF m

Description	31 December 2008	Corrected 31 December 2008	31 December 2009
Revenues from investment services	**13 476**	**18 384**	**20 090**
Commissions on custody	308	308	1 253
Revenue from brokerage activities	238	238	635
Revenue from securities trading	0	7 141	9 987
Fair value of revenue from securities held for trading	765	765	228
Revenue from foreign exchange forward transactions	6 733	6 733	0
Revenue from interest rate swaps	2 598	365	1 598
Revenue from forward rate agreements	2 834	2 834	6 389
Expenditures on investment services	**5 769**	**10 676**	**25 010**
Commissions paid on custody	63	63	254
Expenditure on brokerage activities	110	110	324
Expenditure on securities trading	364	7 505	7 487
Fair value of expenditure on securities held for trading	140	140	672
Expenditure on foreign exchange forward transactions	0	0	7 989
Expenditure on interest rate swaps	2 628	394	1 485
Expenditure on forward rate agreements	2 464	2 464	6 799

Operational expenses

The first entire calendar year of the Branch operation was 2009, the first reporting period lasted from 8 August 2008 to 31 December 2008. Although the tables in the Supplementary Notes contain full year figures for 2009 only, we analyzed the profit and loss items as follows: 2009 year's figures were compared to the aggregated figures of 2008. In such case, the figures of the Bank Zrt. Q1-Q3 of 2008 and of the Branch for 2008 were added to determine the figures for 2008. The profits of the other two companies involved in the transformation are immaterial compared to the Bank results and therefore do not influence the comparison.

Expenses remained at the same level as of 2008, with an overall 1% increase due to a 6% decrease in payments to personnel and a 7% increase in material type expenditures. Comparing to 2008 in the cost structure there were not any significant changes, personnel and material type expenditures represent 41% and 56 % proportion respectively, while the depreciation takes 3%.

The decrease of payments to personnel was caused by decrease in payroll costs, related social charges. The decreased payroll costs are partly explained by not executing salary increase during 2009.

Material type expenditures show increase, mainly caused by other services used.

Depreciation rose by 19%, as the Branch took over the tangible assets of the Bank and the other two Companies. Within total costs, depreciation is not significant and therefore did not contribute significantly to the increased cost level.

Figures in HUF m

Description	31 December 2008	31 December 2009
Payroll	412	2 041
Payments to personnel	59	192
Social security and similar deductions	140	681
Total of payments to personnel	**611**	**2 914**
Material costs	32	101
Material type services used	204	742
Other services used	742	3 095
Other costs	4	11
Material type expenditures	**982**	**3 949**
Depreciation charge	**40**	**197**
Total costs	**1 633**	**7 060**

Extraordinary revenues and expenditures

Figures in HUF m

Description	31 December 2008	31 December 2009
Extraordinary revenues	**0**	**0***
Extraordinary expenditures	**77**	**507**
Amounts transferred free of charge	73	412
Forgiven receivables	0	81
Donations	4	13
Other	0	1

* Value below HUF 1 million

Balance sheet structure

The balance sheet total of the Branch in the reporting period was HUF 353 billion, which represents a 26% percent decrease compared to the balance sheet total of 31 December 2008. The majority of the assets are current assets (83 %), mainly government securities, receivables from customers and liquid assets. Receivables from customers represent 36 % of the total assets.

Short-term liabilities proportion is 86 % out of the total liabilities, and the portion of long-term liabilities is below 1 %. Half of the balance sheet are liabilities towards lending institutions, 30% are short-term deposits of customers.

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

Figures in HUF m

Description	Assets 31 December 2008	Assets 31 December 2009	Liabilities 31 December 2008	Liabilities 31 December 2008
FX (expressed in HUF)	120 115	102 829	156 838	223 408
HUF	357 902	249 892	321 179	129 313
Total	**478 017**	**352 721**	**478 017**	**352 721**

HUF denominated assets and liabilities

The value of HUF denominated assets fell by 30% (from HUF 358 billion to 250 billion). The value of securities continued to decrease (form HUF 177 billion to 140 billion), the 56 % of the HUF denominated assets are government securities.

HUF denominated liabilities dropped by 60 % (from HUF 321 billion to 129 billion). Client related balances sums up 41% of the total.

FX denominated assets and liabilities

The value of FX denominated assets fell from HUF 120 billion to 103 billion. FX denominated lending to customers decreased smoothly by 4%.

The value of the FX denominated liabilities rose (from HUF 157 billion to 223 billion), mainly because of the increase of FX denominated interbank liabilities and customer deposits.

Highlighted items from the balance sheet

Figures in HUF m

Description	31 December 2008	31 December 2009
Liquid assets	73 202	11 300
Loans denominated in HUF*	42 247	55 876
Loans denominated in FX*	71 004	68 199
Interbank lending denominated in HUF*	28 129	27 748
Interbank lending denominated in FX*	45 239	28 160
Securities held for trading	177 164	140 169
Customer deposits denominated in HUF*	66 438	53 157
Customer deposits denominated in FX*	47 123	53 319
Interbank borrowings denominated in HUF*	168 808	3 536
Interbank borrowings denominated in FX*	106 612	167 233

* items arising from financial services

The balance sheet is analysed on the basis of the highlighted balance sheet items. Essentially, the changes in the balance sheet structure influenced six balance sheet lines: significant changes can be observed in liquid assets, government securities, receivables from customers, from financial institutions under assets and in short-term liabilities toward financial institutions and customers under liabilities. The value of liquid assets, securities and receivables from financial institutions fell by 85%, 20% and 24%, respectively, while receivables from customers increased by 5 %. Compared to the period used for comparison, liabilities towards financial institutions and customers fell by 38% and 9%, respectively.

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

The general corporate lending activity, following its dynamic growth experienced in the previous years, continued growing with 10 % in 2009, mainly due to the dynamic growth of Structured Products area. Short term loans increased to a larger extent, while loans over 1 year maturity increased with a smaller intensity.
Loans given in HUF increased, while foreign currency debts decreased compared to the base period. The proportion of foreign currency loans is higher at the end of 2009.

Liabilities from financial services provided to customers fell by 6%. The reduction in customer deposits denominated in HUF was higher than the growth in foreign exchange denominated customer deposits. Under customer deposits the sharing between HUF and foreign exchange is half-half. Our customers continue to prefer short-term deposits and current account deposits over long-term deposit facilities.

The value of receivables and liabilities from investment services and the movement therein reflect changes in unsettled securities, which may cause significant variances depending on daily turnover figures. At the end of 2009 the balance of them is significantly lower than it was in the previous period.

Considering the different sectors of the economy, our corporate customers mainly belongs to the processing, energetic and retail industries sector.

The revaluation difference on derivatives show considerable fluctuations in terms of composition and market rates of foreign exchange forward and swap transactions. At the end of 2009, the valuation difference of transactions under forward and swap significantly fell compared to those of previous years. The valuation difference of forward rate agreement and interest rate swap transactions decreased as well, but their proportion is not significant.

Profitability

We use the same approach for the analysis of the revenues and expenditures what we used for the expenses.

The Branch's profit after tax as at 31 December 2009 showed 26% growth compared to the compounding profit of the preceding year (the total of the Bank's profit as at 30 September 2008 and the Branch's profit as at 31 December).

Profitability was influenced by the following factors:

The net interest result increased by 35%, which is explained by 23% and 58% decrease in interest received and interest paid respectively. Both the interest received and interest paid fell due to the decrease in receivables and liabilities from financial institutions. In the course of the year, the Bank managed to price-in the liquidity premium growth in the market for the long-term loans toward to our customers. This explains that the decrease of the interest received from our clients were less intensive then the decline of the interest paid, that resulted the growth of net interest income. Decrease in interest received on securities did not contribute to falling in interest income received.

Our dividends earned on shares amounted to HUF 112 million in 2009, which increased by 53% comparing to last year.

Our net commissions earned until 31 December 2009 amounted to HUF 3,518 million, which is 5 percent lower than the gain from commissions in 2008 (HUF 2,557 million until 30 September 2008 and HUF 1,141 million in the fourth quarter).

The significant decrease in result of investment services is coming from the negative valuation difference relating to the valuation of derivative transactions at fair value. Among revenues and expenditures on investment services the proportion of securities trading is quite significant. In 2009 the net result of securities trading was a profit amounted to HUF 2,500 million, while in 2008 the Branch realized a loss with value of HUF 1,118 million. The results of securities trading reflect the positive trends experienced in the market of government securities in 2009. We reached a HUF 113 million profit on interest swap transactions, which was nearly the same in 2008 (in 2008 HUF 145 million).

Within revenues from investment services (not including trading activities), revenues from custody management play an important role amounted to HUF 1,253, which is increased by 9% (in 2008 HUF 1,146 million). With expenditures on investment services apart from charges paid in connection with custody management with value of HUF 254 million is the same as those in the last year. Comparing to previous period the revenues from brokerage activities amounted to HUF 635 million (in 2008 HUF 893 million) and expenditures on brokerage activities with value of HUF 324 million (in 2008 HUF 413 million) decreased by 29% and 22% respectively.

Other revenues from business operations remained largely at levels of 2008.

General costs grew only by 1% compared to the preceding period. Their detailed analysis can be found in the section on costs in a breakdown by operational expenses.

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

The growth in other expenditures is related to increased tax liabilities.

Interest received by geographical region

Figures in HUF m

Description	Domestic	Within EU	Other	Total
Interest received on securities	17 704	0	0	17 704
Other interest received	9 836	2 148	67	12 051
Total as at 31 December 2009	**27 540**	**2 148**	**67**	**29 755**
Total as at 31 December 2008	**8 781**	**1 240**	**24**	**10 045**

Key indices

Description		31 December 2008	31 December 2009
Return on Equity (ROE)	Profit after tax / shareholders’ equity	11.1	21.3
Return on Assets (ROA)	Profit after tax / total assets	1.0	2.6
Quick ratio	Liquid assets + securities / current liabilities	62.2	51.3
Capitalisation ratio	Shareholders’ equity / total liabilities	9.1	12.4
Fixed asset ratio	Fixed assets / total assets	10.8	15.4
Gross margin of fixed assets	shareholders’ equity / fixed assets	84.8	80.4

The ROE and ROA relating to 2008 shown in the table were calculated by using the figures for fourth quarter of 2008.

3. Informative notes

Data of employees

Number of employees

	31 December 2008	31 December 2009
Actual number of staff	228	215
Annual statistical number of staff	228	220
- of which: part-time employees	5	55

Payroll costs of employees in a breakdown by employee groups

Payroll costs in a breakdown by employee groups:

Figures in HUF m

Description of employee group	31 December 2008	31 December 2009
Payroll costs of full-time employees	406	1 681
Payroll costs of part-time employees	6	360
Total	**412**	**2 041**

Other payments to personnel

Figures in HUF m

Description	31 December 2008	31 December 2009
Meal, working clothes, relocation and vehicle cost reimbursement, allowances, travelling to and from work	7	32
Other payments (entertainment expenses, per diem, life insurance, etc.)	8	34
Non-repayable support provided by employer	0	3
Severance pay	0	4
Fringe benefits	44	119
Total	**59**	**192**

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

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

Items adjusting the corporate tax base

In 2009, the corporate tax base determined in the general ledger was reduced by HUF 1,465 million and increased by HUF 1,126 million to arrive at the corporate tax base in line with corporate tax act.

The corporate tax liability calculated for the year 2009 was HUF 1,801 million, of which HUF 1,996 million was paid in advance. The Branch had an extra corporate tax liability of HUF 476 million in the reporting period, of which HUF 551 million was paid in advance.

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

Figures in HUF m

Description	31 December 2008	31 December 2009
Profit before tax	**6 051**	**11 593**
Items increasing the tax base	**354**	**1 126**
Amounts transferred free of charge	73	412
Provisions for future liabilities and expenses	232	381
Amortization/depreciation in accordance with accounting law	40	227
Costs incurred outside the normal course of business	4	13
Penalties, fines	0	3
Forgiven debt	0	81
Debt assumption	0	1
Costs identified by self-correction	0	8
Other items increasing the tax base	5	0
Items reducing the tax base	**328**	**1 465**
Released provisions for future liabilities and expenses	0	336
Amortization/depreciation in accordance with corporate tax law	38	206
Dividends received	0	112
100 % of local business tax	282	795
Donations to foundations	4	14
Revenues identified by self-correction	0	2
Other items reducing the tax base	4	0
Tax base	**6 077**	**11 254**
Corporate tax (16%)	972	1 801
Solidarity surtax (4%)	245	476
Tax liability	**1 217**	**2 277**
Profit after tax	**4 834**	**9 316**
General provision made and used	0	0
Dividends paid from retained earnings	0	0
Dividends approved	4 834	9 316
Profit for the year	**0**	**0**

Cash Flow Statements 2009

Figures in HUF m

		Description	31 December 2008	31 December 2009
1	**Interest received**		**10 045**	**29 755**
2	+	Revenues from other financial services	1 311	7 991
3	+	Other revenues	18	31
4	+	Revenues from investment services	10 168	28 135
5	+	Revenues from other than financial and investment services	121	473
6	+	Dividends received	0	112
7	+	Extraordinary revenues	0	0
8	-	Interest paid	5 727	10 134
9	-	Expenditures on other financial services	4 960	2 049
10	-	Other expenditures	329	1 059
11	-	Expenditures on investment services	5 046	25 914
12	-	Expenditures on other than financial and investment services	75	709
13	-	General administrative expenses	1 633	7 060
14	-	Extraordinary expenditures	77	507
15	-	Tax liability	1 217	2 277
16	-	Dividends paid	4 834	9 316
17	**Operating cash flows** (Lines 01 to 16)		**-2 235**	**7 472**
18	+ / -	Movements in liabilities	413 505	-116 956
19	+ / -	Movements in receivables	-197 469	9 995
20	+ / -	Movements in stocks	-4	-6
21	+ / -	Movements in securities recorded under current assets	-176 761	36 558
22	+ / -	Movements in securities recorded under fixed assets	-74	0
23	+ / -	Movements in investments	0	0
24	+ / -	Movements in intangible assets	-219	7
25	+ / -	Movements in tangible assets	-522	67
26	+ / -	Movements in prepaid expenses and accrued income	-10 388	5 647
27	+ / -	Movements in accrued expenses and deferred income	8 307	-4 686
28	+	Shares issued at sales price	0	0
29	+	Non-repayable liquid assets received in accordance with law	39 062	0
30	-	Non-repayable liquid assets transferred in accordance with law	0	0
31	-	Nominal value of redeemed own share, property note	0	0
32	**Net cash flows** (lines 17 to 31)		**73 202**	**-61 902**
	Of which:			
		- movements in cash	412	172
		- movements in money on accounts	72 790	-62 074

Other

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

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

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

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

As the Branch was not engaged in research and development, no such costs were recognised, and environmental issues do not affect the Branch directly.

Budapest, 9 April 2010

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

ING

Management Report

December 31, 2009

The economic environment

In line with the expectations the global economic crises has deeply and badly affected the Hungarian economy, that was further worsened by the strict fiscal constraints. Despite the tight fiscal policy in a regional comparison, the budget deficit remained above 3% of the GDP and is expected to be reduced to the level of the Maastricht criteria only around 2012.

The net savings position of corporate and household sectors has continuously improved which turned the current account balance positive. This development had a positive contribution to the stability of the forint, as the country was not dependent on the portfolio capital inflow, while the corporate sector savings position show a negative picture of the economy. The current account balance is expected to decline due to domestic consumption growth in 2010, but the extent of the deficit continues to remain favourable comparing to previous years.

The economy has suffered the largest decline since the transformation of the political regime, resulted the shrinkage of GDP by 6.3% comparing to last year. At the same time it is encouraging that the recession rate declined only to 4% in the last quarter. Improving trend could continue in 2010 bringing a 0.5% annual growth similar to 2008.

Both the Government Debt Management Agency and the Hungarian National Bank has introduced several actions to restore liquidity in the market, which started to improve significantly during the second quarter. The National Bank has continuously reduced the base rate, which reached the 6.25% level at the end of the year. Thanks to the improved financial circumstances, financing directly from the market was manageable during the second half of 2009, so the government did not call the actual credit facility provided by the International Monetary Fund. Due to the positive prospects for inflation and the stabilizing market environment the NBH envisaged further interest rate cuts for 2010.

As a result of the high risk of the foreign currency loans and the increasing proportion of badly performing ones, the cost of funding has increased substantially during the first half of the year. This trend turned to opposite in the second half of 2009 due to the strict fiscal policy and the decrease in applicable interest rate. In spite of the fact that significant resources were available on the interbank market, the lending activity remained low during the year. Slight expansion is expected to take place in 2010.

Financial result

2009 was the first full financial year of ING Bank N.V. Hungary Branch. After ING Bank Zrt. merged into its direct parent company in the last quarter of 2008 the Branch achieved an outstanding result. Most of the expected benefits from our transformation into a branch – including more direct link to ING’s global network, faster and simpler introduction of new products and reduced administrative burden – had been realized during 2009.

ING Bank N.V. Hungary Branch closed its 2009 financial year with an after-tax profit of HUF 9,316 mio, representing a 26% year-on-year increase compared to the cumulative profit of its predecessor, ING Bank Zrt in the first three quarter of 2008 plus of the Branch in last quarter of 2008. The driver of this outstanding performance is based on the increased net interest income (by 35%) which has strong relation to the Financial Markets activities. The increased long-term funding within the loan portfolio also had positive effects on the net interest income, despite the continuous reduction of the base rate that narrowed the bank's interest margin. The received commission decreased by 6%, commissions and fees paid decreased by 8% comparing to the previous year.

Our expectations for further cost reduction, even beyond the 7.5% in 2008, were close to be achieved. Our personnel related expenses decreased by 6%, but at the same time the amount of HUF 6,863 mio of general administrative expenses increased by 1%.

The Bank’s balance sheet total decreased from HUF 478,017 mio to HUF 352,721 mio. The change (26%) was primarily due to financial markets activities, reflecting the uncertainties of the external market. In parallel, the Lending Business Line (Structured Finance and General Lending together) improved by 6%, the long-term loan portfolio increased by 5% and the short-term loan portfolio increased by 13% comparing to previous year.

Financial Markets Trading Business Line

Challenges influenced both the international and the Hungarian money and capital markets in the first quarter of 2009. During this period, the business line achieved outstanding financial trading results. In the remaining part of the year, the expansion of liquidity and the amplification of risk launched positive market processes which were transferred to the European Union's markets as well.

The liquidity expansion and contraction of the underwriting spreads resulted the revival of trading activity. The Branch managed to preserve its dominant market position amongst these favourable circumstances.

Financial Markets Sales Business Line

Despite the significant decrease in the volume the Financial Markets Sales Business Line was able to maintain the amount of less risky income in 2009 due to a higher level of market volatility and increased premiums. Complying with the demand of the corporate treasury market the emphasis has been placed to the simple treasury sales products. The interest and the transaction turnover were largely reduced in the market of FX option hedging products. These products were replaced by corporate conversions and plain forward deals. At the same time companies preferred to enter into shorter-term (within the year or semester) FX transactions. In the final quarter of the year the foreign exchange market volatility approached its previous levels, the demand for risk management solutions has increased. The trend is expected to be strengthening during 2010.

Payment and Cash Management Services Business Line

As one of our most prominent and stable areas, we have taken further steps in 2009 to expand the supply of our payment and liquidity management products, by increasing the number of the offered products and by further developing our processing systems. The high proportion of automatic processing has led to more precise and rapid payment services for our clients. Through our technical ties with international financial institution partners, ING Commercial Banking can offer efficient payment services virtually anywhere in the world and can continuously increase the supply of pioneered products.

ING is a pioneer among banks using the Single Euro Payments Area (SEPA) model and played a pivotal role in the planning and implementation of SEPA, furthermore the Branch in Hungary participated in the preparation of the Hungarian SEPA Migration Plan and the local preparation of compliance with SEPA standards. The Branch introduced the necessary changes from the 1st of November, 2009. Our expectation is that the market will closely align with and quickly and flexibly adopt changes in payments stemming from the Payment Services Directive, in which area we have strong experiences and have solid solutions via our mother company.

ING won the “Best Bank offering Cash Management services in Europe” (TMI) award for the third time, mainly for its proactive role in initiating SEPA.

Lending Business Line

In 2009 both the size of the lending portfolio and both the number of our clients decreased. The decrease was mainly due to the trends in the global economy, the general recession. Although the size of our credit facilities remained unchanged, our customers’ borrowing appetite weakened.

The area’s profitability increased compared to 2008 due to the increase in the average annual lending outstandings and re-pricing.

Thanks to the conservative lending policy of ING Commercial Banking our loan portfolio’s excellent standard was only slightly deteriorated as a result of the crises.

2010 will be challenging for the Branch since our primary task is to increase the size of the portfolio and retain the level of margins.

Structured Finance Business Line

The Structured Finance business line closed the year 2009 with outstanding results again. From the aspect of revenue, the business line has achieved its most successful in 2009.

The traditional scope of the business - syndicated lending, acquisition finance, structured finance, project finance and related financial advisory – played an important role in 2009 as well. The credit portfolio doubled and the cooperation with the Lending department became closer during the year. Several jointly executed mandates have been closed successfully.

In addition to the traditional business activities, further emphasis was given to facility and security agency as well as to corporate finance. The latest mostly manifested itself in advisory mandates to the domestic energy sector. Furthermore, the Structured Finance business line has contributed to the structured derivatives transactions jointly with the Financial Markets business line.

The department closely cooperates with the regional offices of ING Bank N.V. in the Central-East Europe region as well as with the headquarters in Amsterdam and London. The fruitful outcome of that cooperation is proven by several joint transactions.

2010 is very promising for the business line with particularly to financial advisory activity linked to structured lending and corporate finance transactions.

Equity Markets Business Line

During 2009 the adverse capital market developments - which started in late 2008 - were continued and some of the elements (e.g. decline in stock market turnover) have even worsened. Our institutional investor customers had limited activities due to their risk aversion which resulted below the expectations brokerage fees.

Considering that the Business Line serves only institutional clients, the decreased fee income could not be compensated by the increasing retail customer activity experienced by many other banks.

Despite the loss of income caused by the adverse market developments, the business line had a successful year: our customer base increased, we managed to maintain and even increase the size of our market share on those market segments where we present, - especially in the field of international stock exchange – and based on our customers' opinion as well as on the result of independent surveys (e.g. Thomson Extel Survey) the satisfaction of our clients have increased.

The business line put a large emphasis on to adjust the direct costs to the decreased income level. As a result of the effective cost control the business line has managed to maintain its profitability during the hard times.

Securities Services and Correspondent Banking Business Line

From the fourth quarter of 2008 adverse market conditions were experienced by the Securities Services and Financial Institution clients (Custody and correspondent bank services) area: stock markets plunged in Hungary as well as worldwide, which had a negative impact on the business line's revenues from commissions. This tendency continued in the first quarter of 2009 but from April the continuously improving market environment provided favourable conditions for the area than in the previous financial year. The revenues from custody services were close to the budgeted level, however the revenues from correspondent banking activities were below expectations as a consequence of the market crisis.

Human Resources and Leadership Development

The Branch had 215 active employees (FTE 212.03) on 31 December 2009. Comparing to the end of 2008 level (227 FTE) this is 5.3% reduction. The decrease in headcount is partly explained by the pre-planned headcount reduction connected to the branch transformation process and partly by the fact that the vacant positions were not fully filled in. Considering the importance of the human resources the Branch Management did not have intentions to reduce the expenses by dismissals in 2009.

Credit, Market and Operational Risk Management

In 2008, ING Bank further improved its integrated risk management activity. From the beginning of the year, information safety and bank security risk management were integrated into the area, joining credit, counterparty, market and operational risk management. The aim of integrated risk management is to supervise compliance with Hungarian legislation, local regulations and group-level risk management directives. In the course of 2009, the bank's activities were in line with its business strategy and its capacity to assume risk. As previously profitable business was conducted alongside excellent capital adequacy and stable liquidity. In the period under review, there were no operational or bank security events seriously affecting the bank's earnings or its continued activity.

The Bank's liquidity is stable from all aspects, thanks to the client deposits, interbank funds and the liquidity lines continuously made available by ING Bank N.V. in Amsterdam. The effects of the crisis were reflected in the liquidity premiums which level decreased significantly comparing to 2008 and it was not needed to calculate with it in short-terms. Liquidity premiums reflecting the impact of the economic crisis decreased during 2009 compared to their level in 2008, and were not applied for short term loans in 2009 either. Answering the pressure of liquidity crisis we continued focusing on effective counterparty and market risks management. Following sharp decrease and cut backs in counterparty limits during Q4 2008-Q1 2009, we managed to gradually restore counterparty limits to the pre-crisis level by the end of 2009. VAR exposures due to high volatility in currencies and interest rates decreased for the second half of 2009, thus we could increase VAR limits to accommodate further business.

The loan portfolio's quality remained good which is confirmed by several portfolio reviews and strengthen monitoring activity in 2009. The financial result of our borrowing clients reflect the negative effects of the crisis, particularly in the most vulnerable areas such as automotive manufacturing and trade, transportation, construction, financial sector. These sectors are being closely monitored by risk management, and our intention to reduce the concentration of the bank's exposure in these areas. Due to the experienced exchange rate fluctuations during 2009 our bank maintained its conservative lending policy and in order to manage currency risk, the bank primarily extended FX loans to clients that could mitigate currency exposure naturally via their currency revenues or hedging. In spite of the crisis, in 2009 the size of the credit loss and provision on the loan portfolio and counterparties increased only modestly, which can be considered as an outstanding performance in sectorial and regional context as well.

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

Budapest, 9 April 2010

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