Independent Auditors' Report
issued on 30 September 2008 Annual Report
and Business Report
of ING Bank Zrt.

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

KPMG

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This is an English translation of the Independent Auditor's Report on the 2008 financial statement of ING Bank Zrt. as of 30 September 2008 issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete financial statement it refers to. This translation has been prepared solely for the information of the Board members of the Company and must not be distributed to any other party.

Independent Auditor's Report

To the shareholder of ING Bank Zrt.

We have audited the accompanying financial statement of ING Bank Zrt. (hereinafter referred to as "the Bank") as of 30 September 2008, which comprises the balance sheet as at 30 September 2008, which shows total assets of HUF 608,976 million and retained profit for the period of HUF 0, and the income statement for the period 1 January 2008 to 30 September 2008, and the supplementary notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

We have audited the financial statement of ING Bank Zrt. as of 30 September 2008, its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the financial statement has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. In our opinion, the financial statement gives a true and fair view of the financial position of ING Bank Zrt. as of 30 September 2008, and of its financial performance and of the result of its operations for the period then ended. The business report is consistent with the disclosures in the financial statement.

Emphasis of Matter

Without qualifying our opinion we draw your attention to Note 1, where it is disclosed, that the Bank was terminated with legal succession because of merging into ING Bank N.V. as at 30 September 2008.

Budapest, 17 December 2008

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

John Varsányi
John Varsányi
Partner

Nagy Zsuzsanna
Nagy Zsuzsanna
Registered Auditor
Identification number: 005421

ING BANK ZRT
BALANCE SHEET - Assets

Data in HUF million

Description	Previous year data 2007.12.31	Current year data 2008.09.30
1. Liquid assets	**27 843**	**85 962**
2. Government securities	**201 688**	**270 881**
a) held for trading	196 797	271 103
b) held-to-maturity	4 516	0
/A Revaluation difference on government securities	375	-222
3. Receivables from credit institutions	**115 664**	**135 789**
a) on demand	8 862	3 958
b) other receivables from financial services	105 569	128 695
ba) short-term	102 815	128 695
of which: - from related companies	33 450	119 173
- from companies in other holding relationships	0	0
- from the NBH	0	0
- from the clearing house	128	123
bb) long-term	2 754	0
of which: - from related companies	0	0
- from companies in other holding relationships	0	0
- from the NBH	0	0
- from the clearing house	0	0
c) from investment services	1 233	3 136
of which: - from related companies	81	1 133
- from companies in other holding relationships	0	0
- from the clearing house	1 149	1 996
/A Revaluation difference on receivables from credit institutions	0	0
4. Receivables from customers	**76 335**	**87 626**
a) from financial services	71 747	86 798
aa) short-term	62 708	62 838
of which: - from related companies	0	0
- from companies in other holding relationships	0	0
ab) long-term	9 039	23 960
of which: - from related companies	0	0
- from companies in other holding relationships	0	0
b) from investment services	4 588	828
of which: - from related companies	2	60
- from companies in other holding relationships	0	0
ba) receivables from stock exchange investment services	0	0
bb) receivables from OTC investment services	0	0
bc) customer receivables from investment service activities	4 587	828
bd) receivables from organisations performing clearing house activities	0	0
be) receivables from other investment services	1	0
/A Revaluation difference on receivables from customers	0	0
5. Debt securities, including those with fixed interest	**0**	**0**
a) securities issued by local governments and other state bodies (not including government securities)	0	0
aa) held for trading	0	0
ab) held to maturity	0	0
b) securities issued by other parties	0	0
ba) held for trading	0	0
of which: - issued by related companies	0	0
- issued by companies in other holding relationships	0	0
- own securities repurchased	0	0
bb) held to maturity	0	0
of which: - issued by related companies	0	0
- issued by companies in other holding relationships	0	0
/A Revaluation difference on debt securities	0	0
6. Shares and other securities with variable yields	**0**	**0**
a) shares and holdings held for trading	0	0
of which: - issued by related companies	0	0
- issued by companies in other holding relationships	0	0
b) variable yield securities	0	0
ba) held for trading	0	0
bb) held to maturity	0	0
/A Revaluation difference on shares and other securities with variable yields	0	0

ING BANK ZRT
BALANCE SHEET - Assets

Data in HUF million

Description	Previous year data 2007.12.31	Current year data 2008.09.30
7. Shares, holdings held to maturity	**74**	**74**
a) shares, holdings held to maturity	74	74
of which: - holdings in credit institutions	0	0
b) upwards revaluation of shares and holdings held to maturity	0	0
of which: - holdings in credit institutions	0	0
/A Revaluation difference on shares and holdings held to maturity	0	0
8. Shares, holdings in related companies	**477**	**0**
a) shares, holdings held to maturity	477	0
of which: - holdings in credit institutions	0	0
b) upwards revaluation of shares and holdings held to maturity	0	0
of which: - holdings in credit institutions	0	0
9. Intangible assets	**171**	**193**
a) intangible assets	171	193
b) upwards revaluation of intangible assets	0	0
10. Tangible assets	**235**	**243**
a) financial and investment service tangible assets	16	37
aa) land and buildings	0	3
ab) plant, equipment, machinery, fittings, vehicles	16	34
ac) assets under construction	0	0
ad) payments on account	0	0
b) indirect financial and investment service tangible assets	219	206
ba) land and buildings	0	0
bb) plant, equipment, machinery, fittings, vehicles	219	206
bc) assets under construction	0	0
bd) payments on account	0	0
c) upwards revaluation of tangible assets	0	0
11. Own shares	**0**	**0**
12. Other assets	**547**	**1 658**
a) stocks	21	5
b) other receivables	526	1 653
of which: - receivables from related companies	34	614
- receivables from companies in other holding relationships	0	0
12/A Revaluation difference on other receivables	0	0
12/B Revaluation difference (+) on derivative transactions	25 715	18 716
13. Prepaid expenses and accrued income	**3 908**	**7 834**
a) accrued income	3 888	7 802
b) prepaid expenses	20	32
c) accrued payables	0	0
Total assets	**452 657**	**608 976**
of which : - CURRENT ASSETS (1.+2. a) + 3.c) + 3. a) + 3. ba) + 4. aa) + 4. b) + 5. aa) + 5. ba) + 6. a) + 6. ba) +11+12 + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining to the previous items)	431 483	576 672
- FIXED ASSETS (2.b) + 3. bb) + 4. ab) + 5. ab) + 5. bb) + 6. bb) +7+8+9+10)	17 266	24 470

Budapest, 17 December 2008.

On behalf of ING Bank Zrt.'s legal successor, ING Bank N.V.Hungary Branch:

ING Bank N.V. Magyarországi Fióktelepe
1068 Budapest, Dózsa György út 84/b.
Bejegyezve: Fővárosi Bíróság mint Cégbíróság
Cg.: 01-17-000547
41.

dr. Salgó István
Chief Executive Officer

Diófási Zoltán
Executive Director

ING BANK ZRT
BALANCE SHEET Equity and liabilities

Data in HUF million

Description	Previous year data 2007.12.31	Current year data 2008.09.30
1. Liabilities to credit institutions	**224 325**	**369 355**
a) sight	18 498	32 182
b) fixed liabilities from financial services	204 844	336 983
ba) short-term	204 661	336 858
of which: - to related companies	152 977	303 908
- to companies in other holding relationships	0	0
- to the NBH	0	0
- to the clearing house	0	0
bb) long-term	183	125
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
- to the NBH	0	0
- to the clearing house	0	0
c) from investment services	983	190
of which: - to related companies	983	186
- to companies in other holding relationships	0	0
- to the clearing house	0	0
/A Revaluation difference on liabilities to credit institutions	0	0
2. Liabilities to clients	**135 285**	**155 122**
a) savings deposits	0	0
aa) sight	0	0
ab) short-term	0	0
ac) long-term	0	0
b) other liabilities from financial services	130 567	154 626
ba) sight	85 204	105 199
of which: - to related companies	983	1 011
- to companies in other holding relationships	0	0
bb) short-term	45 363	49 427
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
bc) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
c) from investment services	4 718	496
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
ca) liabilities from stock exchange investment services	0	0
cb) liabilities from OTC investment services	0	0
cc) liabilities to clients from investment services	4 718	496
cd) liabilities to organisations performing clearing house activities	0	0
ce) other liabilities from investment services	0	0
/A Revaluation difference on liabilities to clients	0	0
3. Liabilities due to issued securities	**0**	**0**
a) issued bonds	0	0
aa) short-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
ab) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
b) other issued debt securities	0	0
ba) short-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
bb) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
c) debt instruments treated as securities for accounting but which do not qualify as securities according to Act on Capital Markets	0	0
ca) short-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
cb) long-term	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0

ING BANK ZRT
BALANCE SHEET Equity and liabilities

Data in HUF million

Description	Previous year data 2007.12.31	Current year data 2008.09.30
4. Other liabilities	**14 695**	**16 667**
a) short-term	14 534	16 590
of which: - to related companies	7 808	2 849
- to companies in other holding relationships	0	0
- other capital contributions of members at credit institutions operating as co-operatives	0	0
b) long-term	161	77
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
4/A Revaluation difference (-) on derivative transactions	**26 754**	**12 271**
5. Accrued expenses and deferred income	**3 044**	**7 344**
a) deferred income	0	0
b) accrued expenses	3 044	7 344
c) accrued assets	0	0
6. Provisions	**1 400**	**1 245**
a) provisions for pensions and severance payment	0	0
b) risk provisions for commitments and contingent liabilities	30	28
c) general risk provisions	1 209	1 209
d) other provisions	161	8
7. Subordinated liabilities	**4 534**	**4 352**
a) subordinated loan capital	4 534	4 352
of which: - to related companies	4 534	4 352
- to companies in other holding relationships	0	0
b) other capital contributions of members at credit institutions operating as co-operatives	0	0
c) other subordinated liabilities	0	0
of which: - to related companies	0	0
- to companies in other holding relationships	0	0
8. Subscribed capital	**18 589**	**18 589**
of which: - repurchased ownership shares at face value	0	0
9. Registered, but unpaid capital (-)	**0**	**0**
10. Capital reserve	**138**	**138**
a) difference between face value and issue value of share or holding (premium)	0	0
b) other	138	138
11. General reserve	**1 620**	**1 620**
12. Profit reserve (+-)	**22 273**	**22 273**
13. Non-distributable reserve	**0**	**0**
14. Valuation reserve	**0**	**0**
a) Valuation reserve from upwards revaluations	0	0
b) Valuation reserve from fair valuations	0	0
15. Retained earnings (+-)	**0**	**0**
Total equity and liabilities	**452 657**	**608 976**
of which : - CURRENT LIABILITIES	373 961	540 942
(1. a) + 1. ba) + 1. c) + 1/A. + 2. aa) + 2. ab) + 2. ba) + 2. bb) + 2. c) + 2/A. + 3. aa) + 3. ba) + 3. ca) + 4. a + 4/A.)		
- LONG-TERM LIABILITIES	4 878	4 554
(1. bb) + 2. ac) + 2. bc) + 3. ab) + 3. bb) + 3. cb) + 4. b)+7)		
- EQUITY	42 620	42 620
(8-9+10+11+/-12+13+14+/-15)		

Description		
Contingent liabilities	185 057	180 930
Commitments	5 714 706	3 458 826

Budapest, 17 December 2008.

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41.

dr. Salgó István
Chief Executive Officer

Diófási Zoltán
Executive Director

ING BANK ZRT
PROFIT AND LOSS STATEMENT

Data in HUF million

	Description	Previous year data 2007.12.31	Current year data 2008.09.30
1	**Interest received and similar income**	**25 632**	**28 487**
a	interest income on debt securities with fixed interest	15 960	14 661
	of which: - from related companies	0	0
	- from companies in other holding relationships	0	0
b	other interest received and similar income	9 672	13 826
	of which: - from related companies	1 111	5 825
	- from companies in other holding relationships	0	0
2	**Interest paid and similar expenses**	**14 399**	**18 303**
	of which: - to related companies	5 605	9 088
	- to companies in other holding relationships	0	0
	INTEREST MARGIN (1-2)	**11 233**	**10 184**
3	**Income from securities**	**73**	**73**
a	income from shares, holdings held for trading (dividends, profit sharings)	0	0
b	income from holdings in related companies (dividends, profit sharings)	0	0
c	income from other holdings (dividends, profit sharings)	73	73
4	**Commission and fee income**	**5 902**	**4 603**
a	from income of other financial services	3 247	3 109
	of which: - from related companies	598	94
	- from companies in other holding relationships	0	0
b	income from investment services (except trading activity income)	2 655	1 494
	of which: - from related companies	128	108
	- from companies in other holding relationships	0	0
5	**Commissions paid (payable) and fee expenses**	**2 420**	**2 046**
a	from other financial service expenses	1 693	1 549
	of which: - to related companies	40	11
	- to companies in other holding relationships	0	0
b	from investment service expenses (with the exception of trading activity expenses)	727	497
	of which: - to related companies	3	14
	- to companies in other holding relationships	0	0
6	**Net profit/loss on financial transactions [6.a)-6.b)+6.c)-6.d)]**	**-729**	**-3 696**
a	from income of other financial services	2 134	2 300
	of which: - from related companies	546	493
	- from companies in other holding relationships	0	0
	- revaluation difference	0	0
b	from other financial service expenses	51	190
	of which: - to related companies	0	0
	- to companies in other holding relationships	0	0
	- revaluation difference	0	0
c	from investment service income (trading activity income)	7 653	13 965
	of which: - from related companies	151	1 767
	- from companies in other holding relationships	0	0
	- reversal of impairment on securities held for trading	0	0
	- revaluation difference	0	0
d	from investment service expenses (trading activity expenses)	10 465	19 771
	of which: - to related companies	2 570	1 824
	- to companies in other holding relationships	0	0
	- impairment on securities held for trading	0	0
	- revaluation difference	0	0
7	**Other income from business activities**	**561**	**675**
a	income from non-financial and non-investment services	453	465
	of which: - from related companies	87	36
	- from companies in other holding relationships	0	0
b	other income	108	210
	of which: - from related companies	81	31
	- from companies in other holding relationships	0	0
	- reversal of impairment on stocks	0	0

ING BANK ZRT
PROFIT AND LOSS STATEMENT

Data in HUF million

	Description	Previous year data 2007.12.31	Current year data 2008.09.30
8	**General administrative expenses**	**6 588**	**5 171**
a	staff costs	2 985	2 479
	aa) wage costs	2 022	1 694
	ab) other staff benefits	247	189
	of which: - social security costs	32	20
	= pension costs	18	13
	ac) wage contributions	716	596
	of which: - social security costs	632	467
	= pension costs	444	377
b	other administration costs (material-type expenses)	3 603	2 692
9	**Depreciation**	**111**	**125**
10	**Other expenses from business activities**	**1 154**	**1 003**
a	expenses on non-financial and non-investment services	462	441
	of which: - to related companies	81	94
	- to companies in other holding relationships	0	0
b	other expenses	692	562
	of which: - to related companies	11	1
	- to companies in other holding relationships	0	0
	- stocks impairment	0	0
11	**Impairment on receivables and risk provisioning for commitments and contingent liabilities**	**59**	**259**
a	Impairment on receivables	31	259
b	risk provisioning for commitments and contingent liabilities	28	0
12	**Reversal of impairment on receivables and utilisation of risk provisions for commitments and contingent liabilities**	**59**	**53**
a	Reversal of impairment on receivables	23	51
b	utilisation of risk provisions for commitments and contingent liabilities	36	2
/A	Difference between general risk reserve allocated and used	0	0
13	**Impairment on debt securities held to maturity and on shares, holdings in related companies and companies in other holding relationships**	**0**	**0**
14	**Reversal of impairment on debt securities held to maturity and on shares, holdings in related companies and companies in other holding relationships**	**28**	**87**
15	**Profit on ordinary activities**	**6 795**	**3 375**
	of which: - PROFIT ON FINANCIAL AND INVESTMENT SERVICES [1-2+3+4-5+-6+7.b)-8-9-10.b)-11+12-13+14]	6 804	3 351
	of which: - PROFIT ON NON-FINANCIAL AND NON-INVESTMENT SERVICES [7.a)-10.a)	-9	24
16	**Extraordinary income**	2 700	0
17	**Extraordinary expenses**	2 837	208
18	**Extraordinary profit/loss (16-17)**	**-137**	**-208**
19	**Profit before tax (+-15+-18)**	**6 658**	**3 167**
20	Tax liability	1 274	578
21	**Profit after tax (+-19-20)**	**5 384**	**2 589**
22	General provisioning, utilisation (+-)	0	0
23	Use of profit reserve for dividends, profit sharings	0	0
24	Dividends and profit-sharings paid	5 384	2 589
	of which: - to related companies	5 384	2 589
	- to companies in other holding relationships	0	0
25	**Retained profit for the year (+21-/+22+23-24)**	**0**	**0**

Budapest, 17 December 2008.

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41.

Dr. István Salgó
Chief Executive Officer

Diófási Zoltán
~~Chief Financial Officer~~
Executive Director

Supplement

30 September 2008

CONTENTS

SUPPLEMENT AS AT 30 SEPTEMBER 2008

1. GENERAL

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

The Bank's subscribed capital totalled MHUF 18,589 as at 30 September 2008. This capital is solely a foreign holding, consisting of 185,886 registered shares, each with a face value of THUF 100 that is one hundred thousand forints, all of which are owned by ING Bank N V, The Netherlands, exclusively. (Registered office: Amstelveenseweg 500, 1081 KL, Amsterdam, Netherlands).

In a merger agreement dated 6 August 2008 ING Bank N.V as receiving company, and ING Bank Zrt., ING RÜK Regionális Ügyviteli Kft. and ING Duna Szolgáltató Kft. as merging companies agreed to merge. The agreement specified the date of transformation as 30 September 2008, thus the last financial year of the merging companies ended on 30 September 2008. Therefore the Company has to prepare a final asset and liability statement and asset inventory as well as financial statements closing the operations as at the mentioned date.

ING Bank N.V. established a branch office in Hungary, and since the day following the date of merger, i.e. since 1 October 2008, it has been carrying out business activities through this branch.

The Dutch Chamber of Commerce approved the merger on 2 October 2008.

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

IT environment of the Bank

<u>Atlas system</u>

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

<u>EXACT system</u>

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

The system producing the Bank's integrated general ledger statement

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

The Bank's accounting policies

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

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

Content of the accounting policies

The accounting policies contain:

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

Reporting framework

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

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

For the period ended on 30 September 2008 the balance sheet preparation date was 5 October 2008.

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

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

Lending procedure

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

Content of the lending procedure

The lending procedure contains:

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

Amortisation policy

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

Evaluation procedures

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

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

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

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

- financial liabilities held for trading,
- other financial liabilities.

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

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

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

Financial assets held for trading

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

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

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

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

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

Available-for-sale financial assets

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

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

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

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

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

Financial assets held to maturity

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

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

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

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

Fair value measurement cannot be applied for:

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

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

Derivative transactions

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

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

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

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

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

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

Other valuation rules

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

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

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

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

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

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

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

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

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

	in 2007	in 2008
Other rights and concessions	17	17
Right of use of software	33	33
Computers (PCs)	33	33
Other IT equipment	33	33
Servers	25	25
Other technical equipment	20	20
Other equipment, fittings	14.5	14.5
Vehicles	33	33
Investments on rented property	0	10

The Bank is not required to prepare consolidated financial statements as at 30 September 2008, since during the year it has sold ING Duna Szolgáltató Kft previously owned by it.

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

The owner of ING Bank N. V. Amsterdam, ING Groep N.V. Amsterdam includes our owner in its consolidated financial statements prepared in accordance with the above principles. Its 2007 annual financial statements are also available at www.ing.com.

Bookkeeping services

The person responsible for the management of bookkeeping tasks in 2008:

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

Audit of the Bank's annual financial statements

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

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

Auditor:

- Zsuzsanna Nagy

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

The annual financial statements are signed on behalf of ING Bank N.V. Hungary Branch legal successor of ING Bank Zrt. by:

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

- Zoltán Diófási — ING Bank N.V Hungary Branch
Managing Director
2040 Budaörs, Bimbó u. 4.

2. SPECIAL NOTES

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

Tangible and intangible assets

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

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

Changes in gross values of tangible and intangible assets

Data in HUF million

Description	31 December 2007	Additions	Disposals	Capitalisation	Other changes (reclassification, scrapping)	30 September 2008
Intangible assets	**2,510**	**85**	**0**	**0**	**-220**	**2,375**
Other rights and concessions	18	0	0	0	-2	16
Right of use of software	2,492	85	0	0	-218	2,359
Tangible assets	**389**	**174**	**-23**	**-87**	**-71**	**382**
IT equipment	90	16	0	0	-71	35
Vehicles	287	56	-23	0	0	320
Investments on rented property	0	3	0	0	0	3
Other equipment, fittings	4	12	0	0	0	16
Works of art	8	0	0	0	0	8
Assets under construction	0	87	0	-87	0	0
Total	**2,899**	**259**	**-23**	**-87**	**-291**	**2,757**

Changes in accumulated depreciation of tangible and intangible assets

Data in HUF million

Description	31 December 2007	Ordinary depreciation	Disposals	Capitalisation	Other changes (reclassification, scrapping)	30 September 2008
Intangible assets	**2,339**	**60**	**0**	**0**	**-217**	**2,182**
Other rights and concessions	17	1	0	0	-2	16
Right of use of software	2,322	59	0	0	-215	2,166
Tangible assets	**154**	**65**	**-10**	**0**	**-70**	**139**
IT equipment	76	4	0	0	-70	10
Vehicles	76	56	-10	0	0	122
Investments on rented property	0	0	0	0	0	0
Other equipment, fittings	2	5	0	0	0	7
Works of art	0	0	0	0	0	0
Assets under construction	0	0	0	0	0	0
Total	**2,493**	**125**	**-10**	**0**	**-287**	**2,321**

Changes in net values of tangible and intangible assets

Data in HUF million

Description	31 December 2007	Additions	Disposals	Capitalisation	Other changes (reclassification, scrapping)	30 September 2008
Intangible assets	**171**	**25**	**0**	**0**	**-3**	**193**
Other rights and concessions	1	-1	0	0	0	0
Right of use of software	170	26	0	0	-3	193
Tangible assets	**235**	**109**	**-13**	**-87**	**-1**	**243**
IT equipment	14	12	0	0	-1	25
Vehicles	211	0	-13	0	0	198
Investments on rented property	0	3	0	0	0	3
Other equipment, fittings	2	7	0	0	0	9
Works of art	8	0	0	0	0	8
Assets under construction	0	87	0	-87	0	0
Total	**406**	**134**	**-13**	**-87**	**-4**	**436**

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

Until 30 September 2008 new software in a value of HUF 85 million was purchased. Rights of use of software were capitalised during the year totalling HUF 71 million. At the end of the year intangible assets did not include non-capitalised purchases.

Four passenger cars were sold during the year.

New IT equipment (servers, PCs) was purchased in a value of HUF 16 million and technical equipment in a value of HUF 7 million.

Unused IT equipment with a gross value of HUF 70 million, right of use of software with a gross value of HUF 217 million and HUF 2 million other rights and concessions, all written off were scrapped in the reporting period.

Provisions allocated and used in the current year

HUF 28 million provisions for commitments and contingent liabilities are disclosed in the books of the Bank as at 30 September 2008 in connection with a pending case.

From other provisions allocated for reorganisations in 2005 and 2006 all the remaining amount of HUF 157 million was released in the reporting period, since to our knowledge no further losses can be expected.

The HUF 4 million other provision allocated previously in connection with the operation of the Bank was used up and a new provision of HUF 8 million was allocated.

Since 2001, the Bank has not allocated any general risk provisions. Until 30 September 2008, no general risk provisions were used.

As a result, provisions of HUF 1,245 million are included in the books of the Bank as of 30 September 2008.

The allocation and release of provisions ensued as follow in 2008:

Data in HUF million

Description	31 December 2007	Increase (allocation)	Decrease		30 September 2008
			release	use	
Provisions for pensions and severance payments	0	0	0	0	0
Provisions for commitments and contingent liabilities	30	0	1	1	28
General risk reserve	1,209	0	0	0	1,209
Other provisions	161	8	157	4	8
Total	**1,400**	**8**	**158**	**5**	**1,245**

Current year impairment allocation and reversal

In 2008 impairment was allocated and reversed as follows:

Data in HUF million

Description	31 December 2007	Increase (allocation)	Decrease		30 September 2008
			reversal	use	
Impairment booked on client receivables	0	0	0	0	0
Impairment on investment service activities	21	236	22	4	231
Impairment on other receivables	3	23	25	0	1
Impairment on holdings	87	0	0	87	0
Impairment on debt securities	0	0	0	0	0
Total	**111**	**259**	**47**	**91**	**232**

Own securities and holdings

Own government securities held for trading

Held for trading portfolio

Data in HUF million

Name of security	Nominal value	Book value	Revaluation difference	Market value
C2009/C	15,376	15,133	-9	15,124
C2009/D	5,644	5,597	-12	5,585
C2009/E	419	412	0	412
C2009/F	13,676	13,380	-19	13,361
C2010/B	1,073	1,025	-6	1,019
C2010/C	7,531	7,232	-2	7,230
C2010/D	2,565	2,429	-8	2,421
C2011/A	8	8	0	8
C2011/B	3,751	3,447	-26	3,421
C2011/C	178	169	-2	167
C2012/B	512	487	-8	479
C2012/C	264	240	-4	236
C2013/D	53	49	-1	48
C2014/C	1	1	0	1
C2015/A	7	7	0	7
C2016/C	3,707	3,176	-71	3,105
C2017/A	3	2	0	2
C2017/B	1,142	1,045	-18	1,027
C2019/A	70	62	0	62
C2020/A	3,124	2,997	-34	2,963
C2023/A	72	61	-2	59
D081001	5,286	5,137	0	5,137
D081008	22,990	22,734	0	22,734
D081015	5,874	5,688	0	5,688
D081022	4,459	4,365	0	4,365
D081105	24,336	23,990	0	23,990
D081112	200	196	0	196
D081119	652	644	0	644
D081203	1,323	1,301	0	1,301
D081210	550	539	0	539
D081217	3,092	3,023	0	3,023
D090128	958	929	0	929
D090408	199	190	0	190
D090603	11,311	10,664	0	10,664
MNB081001	75	75	0	75
MNB081008	130,721	130,293	0	130,293
Total	**271,202**	**266,727**	**-222**	**266,505**

Portfolio held to maturity

Data in HUF million

Name of security	Nominal value - original FX EUR	Nominal value	Book value	Market value
EUROBOND EUR	17	4,211	4,376	4,376
Total	**17**	**4,211**	**4,376**	**4,376**

Breakdown of Listed and OTC securities by balance sheet row

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

Data in HUF million

Listed and OTC securities	Current assets	Fixed assets
Hungarian Government bonds	61,335	0
Discounted treasury bills	209,768	0
Shares	0	0
Total	**271,103**	**0**

The Bank has no foreign securities, however, it recorded a bond issued by the state of Hungary, with a book value of HUF 4,376 million, a maturity date of 16 February 2009 and a nominal value of EUR 17,144,000 in its books. This bond was previously recognised among assets held for investment, however, due to its maturity within one year it was reclassified into securities held for trading in the current financial statements.

Own holdings held for investment

Data in HUF million

Name of holding	Nominal value	Cost	Market value
GIRO Zrt.	20	20	20
Hitelgarancia Alapítvány	23	23	23
Hitelgarancia Zrt.	10	10	10
Budapesti Értéktőzsde Zrt.	13	21	21
Magyar SEPA Egyesület *	0	0	0
Investment securities *	0	0	0
Total	**66**	**74**	**74**

* their value is below HUF 1 million

Based on a contract dated 31 March 2008 between the Bank and its parent company, ING Bank N.V., the Bank sold ING Duna Kft. owned by it with total share capital of HUF 563 million.

Since after the sale ING Bank N.V. became the direct and sole owner of all the three Hungarian holdings, it became possible for ING Bank Zrt., ING RÜK Regionális Ügyviteli Központ Kft. and ING Duna Szolgáltató Kft. to be transformed into branch offices in accordance with the Dutch Civil Code and the European Parliament and Council Directive 2005/56/EC on cross-border mergers of limited liability companies.

Parallel to the sale of the investment, the Bank also derecognised THUF 87 million impairment relating to the investment.

Breakdown of due assets and liabilities

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

Data in HUF million

Description	due within 3 months	due between 3 months and 1 year	due over 1 year	due over 5 years	Total
Receivables	**134,025**	**57,508**	**23,882**	**78**	**215,493**
vis-à-vis credit institutions	89,793	38,902	0	0	**128,695**
from clients	44,232	18,606	23,882	78	**86,798**
Liabilities	**372,978**	**13,308**	**124**	**4,352**	**390,762**
vis-à-vis credit institutions	325,326	11,533	124	0	**336,983**
from clients	47,652	1,775	0	0	**49,427**
subordinated liabilities	0	0	0	4,352	**4,352**

HUF 4,532 million of the Bank's liabilities as of 30 September 2008 matures in over five years time.

Subordinated liabilities, including subordinated loan capital

Subordinated liabilities consist of a loan capital of originally DM 35 million (EUR 17,895,216) granted by ING Dublin, which matures on 31 January 2014 and whose interest was 3.145% as of 30 September. The loan is extended for 5 years on a continuous basis.

Related company items

Details of related company rows in the balance sheet and the profit and loss statement

Data in HUF million

Description	Parent company	Other related companies	Total
Short-term receivables from credit institutions	99,354	19,819	**119,173**
Receivables from investment services vis-á-vis credit institutions	15	1,118	**1,133**
Receivables from investment services vis-á-vis clients	0	60	**60**
Other short-term receivables	568	46	**614**
Short-term liabilities to credit institutions	287,722	16,186	**303,908**
Liabilities from investment services vis-á-vis credit institutions	0	186	**186**
Sight liabilities to clients	0	1,011	**1,011**
Other short-term liabilities	2,841	8	**2,849**
Subordinated loan capital	0	4,352	**4,352**
Other interest received and similar income	5,227	598	**5,825**
Interest paid and similar expenses	8,533	555	**9,088**
Commissions received from the income from other financial services	74	20	**94**
Commissions received from the income from investment services	37	71	**108**
Commissions paid from expenses on other financial services	0	11	**11**
Commissions paid from expenses on investment services	0	14	**14**
Other income from financial services	493	0	**493**
Income from investment services	1,757	10	**1,767**
Expenses on investment services	1,824	0	**1,824**
Other income from non-financial and non-investment services	22	14	**36**
Other income	0	31	**31**
Other expenses on non-financial and non-investment services	14	80	**94**
Other expenses	0	1	**1**
Dividends approved	2,589	0	**2,589**

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

Prepaid expenses and accrued income as of 30 September 2008 totalled HUF 7,834 million (2007: HUF 3,908 million), whilst accrued expenses and deferred income as of 30 September 2008 amounted to HUF 7,344 million (2007: HUF 3,044 million), which can be broken down as follows:

Prepaid expenses and accrued income

Data in HUF million

Description	31 December 2007	30 September 2008
Accrued income	**3,888**	**7,802**
Interest receivables on forint loans	249	199
Interest receivables on FX loans	33	151
Interest receivables on segregated liquid assets	89	205
Interest receivables from NBH in forints	6	13
Interest receivables from banks in forints	242	43
Interest receivables from banks in foreign exchange	11	747
Interest receivables from syndicated loans in forints	0	0
Interest receivables from syndicated loans in FX	0	0
Interest receivables from overdraft facilities	147	232
Other interest receivables	0	0
Interest receivables from securities	1,997	2,918
Interest receivables from interest rate swaps	715	2,728
Other accrued income	399	566
Prepaid expenses	**20**	**32**
Prepaid costs	20	32
Other assets in forints	0	0
Total prepaid expenses and accrued income	**3,908**	**7,834**

Accrued expenses and deferred income

Data in HUF million

Description	31 December 2007	30 September 2008
Accrued expenses	**3,044**	**7,344**
Interest liability in forints	271	304
Interest liability in foreign exchange	1,289	2,049
Interest liability from interest rate swaps	713	3,605
Accrued bonuses and benefits in kind	387	607
Accrued fees	134	146
Other accrued liabilities in forints	84	94
Other accrued liabilities in foreign exchange	50	381
Exchange losses related to the purchase of securities	112	146
Interest on deposits from other financial institutions	4	12
Deferred income	**0**	**0**
Other deferred income	0	0
Total accrued expenses and deferred income	**3,044**	**7,344**

Changes to equity:

Data in HUF million

Description	31 December 2007	Changes in 2008 Increase	Decrease	30 September 2008
Subscribed capital	18,589	0	0	18,589
Capital reserve	138	0	0	138
General reserve	1,620	0	0	1,620
Profit reserve	22,273	0	0	22,273
Valuation reserve	0	0	0	0
Retained profit for the year	0	0	0	0
Equity	**42,620**	**0**	**0**	**42,620**

Subscribed capital

The subscribed capital of the Bank totalled HUF 18,589 million both in 2007 and 2008. This capital is solely a foreign holding, consisting of 185,886 registered shares, each with a face value of THUF 100, all of which are owned by the Dutch ING Bank N.V.

Capital reserve

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

Profit reserve

The amount of the profit reserve did not change, the profit after tax for 2007 was distributed as dividend to the owner.

General reserve

Based on Section 75 (3) of Act CXII of 1996, in 2005, 2006 and 2007 the Bank asked for and received exemption from the Hungarian Financial Supervisory Authority from the obligation of allocating general reserves since the liquidity ratio of the Bank exceeded the 12% limit during the year on a continuous basis and its profit reserve was positive also. The Bank received the exemption for 2008 as well.

Off-balance sheet items

Off-balance sheet items changed as follows as of 31 December 2007 and 30 September 2008:

Contingent liabilities

Data in HUF million

Description	31 December 2007	30 September 2008
Guarantees issued	23,108	24,237
Unused credit line	161,818	156,494
Guarantee promissory notes	131	199
Total contingent liabilities	**185,057**	**180,930**

Commitments

Data in HUF million

Description	31 December 2007	30 September 2008
Spot transactions	173,801	155,750
Forward transactions	1,239,291	964,790
Security purchase liability	266,169	123,190
Contract-based transactions	42,455	196,338
Forward interest rate contract purchase	1,994,522	1,118,830
Forward interest rate contract sale	1,987,500	877,700
Commitments from interest rate swaps	10,968	22,228
Total commitments	**5,714,706**	**3,458,826**

Other off-balance sheet items

Data in HUF million

Description	31 December 2007	30 September 2008
Third-party securities	1,128,710	1,339,009
Litigated receivables	12	12
Guarantees received	17,712	9,263
Collateral received	56,413	69,189

Third-party securities

Data in HUF million

Type of security	Total nominal value	By location				
		At clearing houses	At external location	At own depository	Electronic-based	Printed
Investment units	255,284	255,284	0	0	224,672	30,612
Discounted treasury bills	33,432	33,432	0	0	33,432	0
Hungarian government bonds	923,555	923,555	0	0	923,555	0
Shares	124,220	116,963	198	7,059	96,478	27,742
Corporate bonds	2,518	2,518	0	0	2,518	0
Total as of 30 September 2008	**1,339,009**	**1,331,752**	**198**	**7,059**	**1,280,655**	**58,354**
Total as of 31 December 2007	**1,128,710**	**1,121,528**	**124**	**7,058**	**1,099,313**	**29,397**

Data of assets received as collateral, security and deposits

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

Data in HUF million

Description of collateral	31 December 2007	30 September 2008
Cash coverage	157	121
Central budget guarantees	6,000	0
Securities' coverage	166	146
Assigned receivables	885	930
Mortgages	2,419	3,707
Other coverage (corporate guarantee)	46,786	64,285
Total:	**56,413**	**69,189**

Suspended interest

No interest was suspended either in 2007 or in 2008.

Contract value and anticipated impact on profit of outstanding forward transactions

Until maturity the Bank records its forward transactions on account code 0 at their contract value (forward deal price, rate). On 30 September 2008, the contract value of FX forward and swap transactions totalled HUF 964,790 million (at the end of 2007: HUF 1,239,291 million). The results of the transactions were accounted in accordance with the rules of fair value measurement.

The Bank holds spot FX sales/purchase transactions at contract value on account code 0 (forward deal price, rate), totalling HUF 155,750 million on 30 September 2007 (at the end of 2007: HUF 173,801 million). These transactions were closed by the balance sheet preparation date.

The contract value of forward interest rate contracts amounting to HUF 1,118,830 million at 30 September 2008 (end of 2007: HUF 1,994,522 million) is also recorded on account code 0. HUF 22,228 million off-balance sheet forward liabilities are recorded as at 30 September 2008 due to interest rate swap transactions (at the end of 2007: HUF 10,968 million).

The Bank also uses account code 0 to recognise forward security transactions as well, at their contract value (forward deal price, rate). The contract value of forward security purchases was HUF 123,190 million on 30 September 2008 (at the end of 2007: HUF 266,169 million). These transactions were closed by the balance sheet preparation date.

Fair value measurement of derivative transactions

On 30 September 2008, the following revaluations were taken into consideration in respect of derivative transactions during fair value measurement, and revaluation differences accounted in profit until 30 September 2008 were as follows:

Positive revaluation difference of derivative transactions

Data in HUF million

Description	31 December 2007	30 September 2008	Impact of revaluation on profit
FX swaps	22,096	9,149	-12,947
Forward transactions	715	7,009	6,294
Forward interest rate contracts	2,686	1,884	-802
Interest swaps	218	674	456
Total	**25,715**	**18,716**	**-6,999**

Negative revaluation difference of derivative transactions

Data in HUF million

Description	31 December 2007	30 September 2008	Impact of revaluation on profit
FX swaps	20,786	3,688	-17,098
Forward transactions	2,854	6,433	3,579
Forward interest rate contracts	2,940	1,600	-1,340
Interest swaps	174	550	376
Total	**26,754**	**12,271**	**-14,483**

The aggregated effect on profit of fair value measurement of derivative transactions amounted to HUF 7,484 million as at 30 September 2008.

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

Income and expenses on investment services

Data in HUF million

Description	31 December 2007	30 September 2008	2008 pro-rated
Investment service income	**10,308**	**15,459**	**20,668**
Deposit division commissions	1,245	838	1,120
Income from commission activities	1,409	655	876
Income from trading activities	487	0	0
Income from forward interest rate contract	5,611	5,876	7,856
Income from portfolio management commission	1	0	0
Fair value income from securities held for trading	425	0	0
Income from interest swaps	1,130	8,090	10,816
Investment service expenses	**11,192**	**20,268**	**27,098**
Exchange loss from forward FX transactions	2,580	4,149	5,547
Expenses of forward interest rate contract	6,791	6,357	8,499
Broker fees	276	163	218
Fee paid to Keler	237	178	238
Expenses on commission activity	109	98	131
Expenses on securities' sales	99	42	56
Expenses on securities' trading	0	754	1,008
Custodian fee	6	14	19
Fair value expense on securities held for trading	17	598	800
Expenses on interest swaps	1,077	7,915	10,582

Costs broken down by type

The 2008 financial year ended on 30 September 2008, therefore figures need to be pro-rated for comparison. Comparison set out below was prepared using pro-rated figures.

The more than 5% increase in total costs results primarily from the 11% growth in staff costs. The proportion within total costs of staff costs and that of material-type expenses are almost equal.

Staff costs rose due to increase in wage costs and related contributions. Wage costs were higher mainly due to the alignment of wages to inflation. Another contributing factor was the increase in overtime in connection with the transformation. Changes in staff number (2 persons less) had no significant effect on staff costs.

Material-type expenses – mainly other services used – remained at the previous-year level.

Data in HUF million

Description	31 December 2007	30 September 2008	2008 pro-rated
Wage cost	2,022	1,694	2,264
Staff costs	247	189	253
Wage contributions	716	596	797
Total staff costs	**2,985**	**2,479**	**3,314**
Material costs	79	77	103
Material-type services used	768	531	710
Other services used	2,724	2,065	2,761
Other costs	32	19	25
Material-type expenses	**3,603**	**2,692**	**3,599**
Depreciation	**111**	**125**	**167**
Total costs	**6,699**	**5,296**	**7,080**

Extraordinary income and expenses

Data in HUF million

Description	31 December 2007	30 September 2008	2008 pro-rated
Extraordinary income by title	**2,700**	**0**	**0**
ING Duna Kft registered capital decrease	2,700	0	0
Extraordinary expenses	**2,837**	**208**	**278**
ING Duna Kft registered capital decrease (book value)	2,700	0	0
Liquid assets transferred definitively	124	182	243
Donations	12	5	7
Forgiven receivable	1	21	28

Balance sheet structure

The Bank's balance sheet total in the current year totalled HUF 609 billion, which is up by 35% on the end of the previous year. The majority of assets comprises current assets (95 %), which in turn are mainly government securities, short-term receivables from the central bank, credit institutions and clients along with liquid assets. The rate of receivables from clients to total assets is 14%. Only 1 % of liabilities are long-term liabilities, the rest is constituted by current liabilities. Within that, 60 % of the balance sheet total is composed of current liabilities to credit institutions, while 25 % is made up by short-term deposits from clients.

Foreign exchange assets and liabilities denominated in forints

Changes in assets and liabilities denominated in foreign exchange:

Data in HUF million

Description	Assets 31 December 2007	Assets 30 September 2008	Liabilities 31 December 2007	Liabilities 30 September 2008
Foreign exchange (in forints)	62,311	170,664	233,688	406,890
Hungarian Forint	390,346	438,312	218,969	202,086
Total	**452,657**	**608,976**	**452,657**	**608,976**

Assets and liabilities in forints

HUF asset items increased by 12% (from HUF 390 billion to HUF 438 billion) in comparison to the end of 2007. The portfolio of government securities increased further (from HUF 201 billion to HUF 271 billion), 60% of the HUF assets is in government securities. Inter-bank HUF placements decreased to the 14% of the 2007 year-end figure.

HUF liabilities decreased by almost 10%, 28 % of HUF liabilities is from clients and 20 % is inter-bank liabilities.

FX assets and liabilities

FX assets increased significantly (from HUF 62 billion to HUF 171 billion). The portfolio of FX loans extended to clients doubled, while FX receivables from credit institutions were quadrupled.

FX liabilities grew significantly, by 74% (from HUF 234 billion to HUF 407 billion), mainly due to the increase in inter-bank FX liabilities.

Highlighted balance sheet items

Data in HUF million

Description	31 December 2007	30 September 2008
Liquid assets	27,843	85,962
Loans in forints*	52,280	43,859
Loans in FX*	19,467	42,939
Inter-bank placements in forints*	77,177	10,858
Inter-bank placements in FX*	28,392	117,837
Securities held for trading	197,172	270,881
Investment securities	4,516	0
Client deposits in forints*	64,620	56,608
Client deposits in FX*	65,947	98,018
Inter-bank loans in forints*	49,591	39,446
Inter-bank loans in FX*	155,253	297,537

* from financial services

The change to the balance sheet structure basically affected three balance sheet items: there was an increase on the asset side in liquid assets and government securities, while on the equity and liabilities side in short-term liabilities to credit institutions. Liquid assets tripled, the securities portfolio grew by 34%, while inter-bank liabilities rose 1.5 times.

Inter-bank placements did not increase considerably, however, their structure changed: the majority of placements are in foreign exchange in contrast to the end of the previous year, when placements in forint were dominant.

The increase or decrease in inter-bank loans is generally in accordance with the current liquidity situation and money market aspects, in line with the diversified liquidity and interest strategy of the Bank. At the end of September 2008 inter-bank loans were more than 1.5 times the loans as at the end of 2007, within this there was a very significant increase in transactions in FX.

In 2008, traditional corporate lending rose considerably, by 21%, due to the increase in long-term receivables. Short-term loans remained at the prior-year level.

The portfolio of liabilities to clients from financial services increased by 18%, owing to the rise in FX client deposits. The portfolio of forint deposits decreased. Our clients continue to prefer short-term fixed deposits and current account deposits over long-term deposit options.

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

In terms of the split between divisions, while the previous trend that corporate clients are mainly engaged in the processing and chemical industries and trading sectors still prevails, the energy sector has an increasingly important share of our clientele.

The positive and negative evaluation difference of derivative transactions shows a significant fluctuation depending on the composition of current FX forward and swap transactions and market rates. The revaluation difference of transactions from forward interest rate contracts decreased in comparison to previous years. The revaluation difference of interest swap transactions increased, however, the ratio of this increase is immaterial.

Profitability

When comparing income and expenses, figures need to be pro-rated similarly to cost data, due to the fact that the financial year ended on 30 September. The following analysis is based on pro-rated data.

The profit after tax as at 30 September is two-third of the prior-year figure. Profitability was impacted by the following factors:

The increase in the securities portfolio and lending activity resulted in significant rise in interest income in terms of both interest income from securities and other interest income. The bank was able to charge on clients the increased liquidity premium which arose on the market of long-term loans during the year, which is reflected by the growth in other interest income. The increase in interest paid is mainly due to the rise in the volume of inter-bank loans.

Dividend income from holdings amounted to HUF 73 million, same as in the previous year.

Net commission income totalled HUF 2,557 million until 30 September 2008, which equals the pro-rated part of the 2007 commission income.

Within the investment service income (not including trading activities), the income from custodian activities (HUF 838 million), almost the pro-rated part of the 2007 income, and the income derived from commission activities (HUF 655 million), which is two-thirds of the prior-year income, are significant. The strong increase in income from investment services is derived from income from forward interest agreements and interest swap transactions, and the amount of positive revaluation difference relating to fair value measurement of derivative transactions is also considerable.

The significant elements of expenses of investment services were fees paid in connection with custodian activities (HUF 178 million) and the various brokerage fees paid (HUF 163 million), and the other greatest rise was due to the expenses on the forward interest agreements and interest swap transactions. The amount of negative revaluation difference relating to fair value measurement of derivative transactions is also considerable. Due to liabilities arising from the bank's primary trader status, the results for the period of securities trading reflect the negative trend experienced on the market of government securities in the spring of 2008.

Other income from business activities increased, because this figure includes income from the release of unused other provisions allocated in previous years for restructuring.

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

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

Other expenses rose due to the higher taxes paid.

Key indicators

Description		31 December 2007	30 September 2008	2008 pro-rated	Change
Return on equity	Profit after tax / Shareholder's equity	12.6	6.1	8.1	-4.5
Return on assets	Profit after tax / Total assets	1.2	0.4	0.6	-0.6
Acid-test ratio	Liquid assets + Securities / Current liabilities	62.3	66.0	66.0	3.7
Gearing ratio	Shareholders' equity / Total equity and liabilities	9.4	7.0	7.0	-2.4
Fixed asset ratio	Fixed assets / Total assets	3.8	4.0	4.0	0.2
Fixed asset coverage	Shareholders' equity / Fixed assets	246.9	174.2	174.2	-72.7

3. *Additional Information*

Staff data

Number of employees

	31 December 2007	30 September 2008
Staff number	226	224
Annual average number of staff	234	228
- of which: part-time	4	5

Wage costs per staff category

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

Wage costs break down by category as follows:

Data in HUF million

Staff category	31 December 2007	30 September 2008	2008 pro-rated
Wage cost of full-time employees	2,001	1,681	2,247
Wage cost of part-time employees	21	13	17
Total	**2,022**	**1,694**	**2,264**

Other staff benefits

Data in HUF million

Description	31 December 2007	30 September 2008	2008 pro-rated
Meal, work clothing, removal and car cost refunds, contributions, commuting costs	31	30	40
Other payments (entertainment, daily fee, life insurance, etc.)	49	41	55
Non-refundable employer support	3	4	5
Severance pay	5	2	3
Benefit in kind	159	112	150
Total	**247**	**189**	**253**

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

The Board of Directors and the Supervisory Board members received no remuneration or advances neither in 2007 nor in 2008, and the Bank did not undertake any guarantee on their behalf.

The portfolio of the loans disbursed to those concerned totalled HUF 3 million as of 30 September 2008 (2007: HUF 9 million) which was granted with interest of 13.5%.

Items reconciling the corporation tax base

In 2008, when determining the corporation tax base, the tax base recorded in the general ledger decreased by HUF 749 million and increased by HUF 371 million according to the Act on Corporation Taxation.

For 2008, the corporation tax liability is HUF 446 million for which an advance of HUF 634 million was paid. Under corporate special tax, the Bank had a liability of HUF 132 million for which an advance of HUF 197 million was paid.

Based on the decision of the owner, the total 2008 after-tax-profit was paid out as dividend.

Data in HUF million

Description	31 December 2007	30 September 2008
Profit before tax	**6,658**	**3,167**
Disallowed items	**292**	**371**
Liquid assets transferred definitively	124	182
Provisions for future liabilities and costs	28	8
Book depreciation	116	138
Non-business related costs	12	5
Penalties	4	0
Impairment accounted for the tax year (non financial institution)	0	0
Forgiven receivable	1	22
Tax shortfall	0	0
Costs established during self-revision	7	16
Items deductible for tax purposes	**671**	**749**
Provisions for commitments and costs released	79	163
Tax depreciation	108	159
Dividends received	73	73
Non-repayable definitive liquid asset receipts	0	0
Impairment reversed in the tax year (non financial institution)	0	0
Income related to forgiven receivable	0	1
Income established during self-revision	0	8
Foundation support	6	3
100% of local business tax	405	342
Other deductible items	0	0
Tax base	**6,279**	**2,789**
Corporation tax (16%)	1,005	446
Credit institution special tax (8%)	0	0
Solidarity tax	269	132
Tax liability	**1,274**	**578**
Profit after tax	**5,384**	**2,589**
General provisioning, utilisation	0	0
Use of profit reserve	0	0
Approved dividend, share	5,384	2,589
Retained profit for the year	**0**	**0**

2008 Cash Flow Statement

	Description		31 December 2007	30 September 2008
1	**Interest income**		**25,632**	**28,487**
2	+	Other financial services	5,381	5,409
3	+	Other income	66	49
4	+	Income from investment services	2,395	8,941
5	+	Income from non-financial and non-investment services	453	465
6	+	Dividend income	73	73
7	+	Extraordinary income	2,700	0
8	-	Interest expenses	14,399	18,303
9	-	Other financial service expenses	1,744	1,739
10	-	Other expenses	692	554
11	-	Expenses on investment services	8,432	21,233
12	-	Expenses on non-financial and non-investment services	462	441
13	-	General administrative expenses	6,699	5,296
14	-	Extraordinary expenses	2,837	208
15	-	Current year tax liability	1,274	578
16	-	Dividends paid	5,384	2,589
17	**Operating cash flow** (rows 01 – 16)		**-5,223**	**-7,517**
18	+ / -	Changes in liabilities	227,116	166,656
19	+ / -	Changes in receivables	-41,897	-32,751
20	+ / -	Changes in stocks	-5	16
21	+ / -	Changes in securities disclosed under current assets	-172,190	-73,708
22	+ / -	Changes in securities recognised under fixed assets	2,636	5,079
23	+ / -	Change in assets under construction	3	0
24	+ / -	Changes in intangible assets	-60	-22
25	+ / -	Changes in tangible assets	7	-9
26	+ / -	Changes in prepaid expenses and accrued income	-2,169	-3,925
27	+ / -	Changes in accrued expenses and deferred income	-13	4,300
28	+	Share issuance at selling rate	0	0
29	+	Liquid assets received definitively based on legal regulations	0	0
30	-	Liquid assets transferred definitively based on legal regulations	0	0
31	-	Face value of withdrawn treasury shares and equity bonds	0	0
32	**Net cash flow** (rows 17 – 31) of which: - changes in cash reserves - changes in money on account		**8,205** 45 8,160	**58,119** -118 58,237

Miscellaneous

On the balance sheet date, the joint value of large exposures (receivables exceeding 10% of regulatory capital [HUF 4,777 million]) totalled HUF 79,008 million as per Section 79 (3) of the Credit Institutions Act.

The Bank has been a member of the National Deposit Insurance Fund since 1993. The Bank paid HUF 7 million into the Fund in the reporting year (2007: HUF 5 million).

Since August 1997, the Bank has been a member of the Investor Protection Fund, paying a contribution in the current year of HUF 8 million (2007: HUF 6 million).

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

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

The Bank is not affected directly by environmental issues.

Budapest, 17 December 2008

On behalf of ING Bank Zrt.'s legal successor, ING Bank N.V.Hungary Branch:

ING Bank N.V. Magyarországi Fióktelepe
1068 Budapest, Dózsa György út 84/b.
Bejegyezve: Fővárosi Bíróság mint Cégbíróság
Cg.: 01-17-000547
41.

dr. István Salgó
Chief Executive Officer

Zoltán Diófási
Managing Director

Management Report

30 September 2008

The economic environment

Macroeconomic policy has achieved significant results over the past years, and the state budget deficit is expected to decrease from 9.25% of GDP (2006) to 3.4% in 2008 as a result of the budgetary consolidation undertaken in 2006. The expected performance for 2008 will be substantially better than previously calculated in the budget. Thanks to the budgetary consolidation, the current account deficit is expected to drop to 6.25% of GDP in 2008. Annual GDP growth will expectedly reach 2% in 2008 following the slowdown caused by the 2006 adjustment programme.

Monetary policy will focus on achieving a 3% inflationary target over a two-year period. It is already clear that the prospects for 2009 are highly uncertain as the broad economic crisis unfolds, and the responses to the crisis will fundamentally affect the Hungarian economy and society in the years to come.

We expect an increase in the cost of financing and substantial economic slowdown for the upcoming period.

Financial results

Pursuant to an earlier decision, ING Bank Zrt.'s transformation into a branch was completed by the end of Q3 2008. This took place in an unprecedented manner for the first time in Hungary due to the legislative environment, and saw ING Bank Zrt. merge with its direct parent company, ING Bank N.V. The merger took place on 30 September 2008, following which business activity was assumed by ING Bank N.V. Hungary Branch. We expect many benefits from the transformation into a branch, including a more direct link to ING's global network, faster and simpler introduction of new products and a reduced administrative burden.

We have prepared these financial statements pertaining to this period to close business activity as ING Bank Zrt.

ING Bank Zrt. closed the 2008 financial year with after-tax profits of HUF 2.589 billion for the period comprising the first three quarters, marking the date of transformation into a branch.

The increase in costs of HUF 5.171 billion represents a 5% nominal increase compared to the same period of the previous year, which arose from the fact that substantial cost-cutting took place earlier and that additional internal restructuring was not needed in 2008.

The Bank's balance-sheet total grew by 35%, to HUF 608.976 billion. This was primarily the result of money market activities, as well as a further increase in the General Lending Business Line by 21%.

Money Market Business Line

The first three quarters of 2008 were full of challenges both for international and Hungarian money and capital markets. The liquidity squeeze and growing risk-aversion created negative trends, which filtered through to the European Union's markets also. All market segments felt the effects of the sharply mounting turmoil.

Drying up of liquidity and widening quotation spreads led to a slump in trading. Despite the gloomy environment, ING maintained its dominant market position.

We increased the ratio of less risky income substantially, doubling it in 2008 by expanding our Sales activity. This is closely dependant on the performance of customer relationship management. In trading, the objective was to maintain market share and to achieve a revenue plan slightly weaker than in 2007. After our transformation into a branch, our systems will expectedly be replaced by the infrastructure used by the parent company. This will enable access to a wider product range, which can potentially boost our revenues in the longer term. Positive effects are expected to be felt from 2009.

Equity Markets Business Line

The performance of the Equity Markets Business Line was outstanding in 2007; the first three quarters of 2008 must be assessed keeping this in mind. The business line – founded in 1994 – achieved the highest revenue in the course of its existence in 2007. This outcome was achieved thanks to clients, in particular highly active international institutional investors, as well as a prominent actor of the Hungarian market who repurchased a large amount of stock.

In the course of 2008, our client base expanded further, and we placed more emphasis on acquiring new foreign investors and on reinforcing our relationship with Hungarian institutions.

The launch of the new Direct Market Access (DMA) channel provides a solid base for developing electronic trading and thereby reaching new clients.

Our clients continue to recognise our Analyst department, which has received several awards and has remained prominent in analyst rankings.

It was difficult to uphold the business line's performance amidst market changes and the global recession, but given our strong customer relationships, high-standard services and expected primary market transactions, we hope that the slump affecting equity markets will not have too big of an adverse effect on the business line.

Structured Products Business Line

Despite the serious challenges caused by the credit crisis, Structured Products Business Line continued to perform well in 2008, and closed the first three quarters of the year with outstanding results.

The area's traditional activities (syndicated loans, leverage finance, structured finance and related financial advisory services) still play a key role.

The year's most outstanding transaction was phase II of the M6 Private Public Partnership (PPP) motorway project, in the context of which ING was entrusted with providing financial advisory services to the Hungarian Ministry of Transport, Telecommunication and Energy (KHEM). The project won the "European Road Deal of the Year" award, founded by Jane's Transport Finance journal, proving its success. The fact that only 7 months elapsed between the announcement of the tender invitation at the beginning of 2008 and financial closure played an important role in the granting of award, as this time span is exceptional both by Hungarian and international standards, given the complexity and scale of the PPP transaction. Furthermore, the organisation of bank financing of EUR 447 million for a term of 29.5 years– of which 50% was refinanced by the EIB two weeks following closure – in the midst of the current financial crisis also played a part.

In conjunction with ING's London office, we participated as lead arranger and continue to act as an agent in the refinancing of the EUR 552 million leveraged buyout loan of Euromedic, Europe's leading dialysis and diagnostics service provider with a network encompassing 15 countries, which took place in September 2008. ING's excellent knowledge of the market is reflected by its successful syndication of this highly complex transaction in the current distorting credit market, thanks in part to the inclusion of new lenders.

Besides traditional activities, facility and security agency activity was also enhanced, as well as corporate finance advisory services. The latter was primarily carried out in the form of various advisory assignments for the Hungarian energy sector.

Despite the enduring credit crunch, the outlook for 2009 appears promising for the Structured Products Business Line, especially for financial advisory services in structured lending and corporate finance related transactions.

General Lending

We increased our general lending portfolio by 21% in 2008, parallel to increasing the area's profitability.

The loan portfolio's excellent quality remains unchanged, thanks to ING Bank's conservative lending policy. In light of the emerging signs of the financial and economic crisis, we do not expect a strong increase in our lending activity in the year following our transformation into a branch.

Cash Management and Payment Services

As one of our most prominent and stable areas, we have taken further steps in 2008 to develop the efficiency of our processing systems and to comply with Hungarian and international standards, such as the new resolutions on payments issued by the National Bank of Hungary or FATF-VII. We strive to provide support for our clients by enabling more efficient processing of payments, which is a major aspect/challenge for the majority of them.

ING is a forerunner among banks using the Single Euro Payments Area (SEPA) model and played a pioneering role in the planning and implementation of SEPA, furthermore ING Wholesale Banking participated in the preparation of the Hungarian SEPA Migration Plan and the local preparation of compliance with SEPA standards. ING won the "Best Bank offering Cash Management services in Central and Eastern Europe" award (TMI) for the eighth time, and the "Best Bank offering Cash Management services in Europe" award for the first time, mainly for its proactive role in initiating SEPA.

Securities Services and Financial Institution Clients

The first three quarters of 2008 provided a grim environment for the Securities Services and Financial Institution Clients (Custody and correspondent bank services) area: stock markets plunged in Hungary and worldwide, which decreased the business line's revenues from commissions. The loss in revenues from custody services could only be partially offset by the increase in revenues from account management for financial institutions clients.

Human Resources and Leadership Development

The closing headcount at the end of the first three quarters was 224, which is 2 employees less compared to the beginning of the year. The bank's headcount for the remainder of 2008 will expectedly increase slightly due to its transformation into a branch, resulting from the integration of the Regional Operational Centre's employees.

Credit, Market and Operational Risk Management

In 2008, ING Bank Zrt. further improved its unified risk management activity. From the beginning of the year, information security and bank physical security risk management were integrated into the area, joining lending, counterparty, market and operational risk management. The aim of unified risk management is to supervise compliance with Hungarian legislation, local regulations and group-level risk management directives. In the course of 2008, the bank's activities were in line with its business strategy and its capacity to assume risk. During the first 9 months of the year, profitable business was conducted alongside excellent capital adequacy and stable liquidity. In the period under review, there were no operational or bank security risks seriously affecting the bank's earnings or its continued activity.

Global crisis phenomena - on the rise since 2007 – led to unprecedented crises on international financial markets in the second half of 2008. In such a context, counterparty and market risk have become more important than ever. As a result of the liquidation of certain units of the Lehman Brothers group, the bank faced the possibility of a direct loss of revenues. A liquidation process was initiated against Lehman Brothers, and as a result the bank

had unsettled receivables in connection with three transactions as at 30 September 2008 from previously concluded interest rate derivatives transactions (IRS, FRA). The bank has claimed impairment of 80% in its books as at 30 September 2008 for these financially unrealised profit items. ING Bank Zrt. will be in charge of the collection of these receivables and the related legal proceedings, in conjunction with the other affected units within ING Group.
Besides counterparty risk, the financial crisis has created additional requirements in the area of market risk management. Strong currency and interest fluctuation have led to high currency and interest VaR exposure and sensitivity to interest rate changes for portfolios. With the current financial crisis backdrop, the management of the bank's Treasury and Risk Management area has introduced stronger liquidity control. The bank's liquidity is stable from every aspect, thanks to large amounts of shareholders' equity, client deposits, interbank funding, as well as the liquidity provided by the parent bank.

During the first 9 months of 2008, the loan portfolios of the General Lending and Structured Products area grew by nearly 21%. This dynamic growth was mostly due to the extension of new loans rather than higher utilisation of credit lines. The quality of loan portfolios remains high. In the course of 2008, there were no individual bad debt write-offs according to either Hungarian accounting rules or the IFRS.
In the course of the year, the IBNR impairment calculated according to the IFRS grew by 31% from HUF 71 million (1 January 2008) to HUF 93 million. This represents 0.07% of the entire portfolio. The increase in the IBNR is a consequence of portfolio expansion and, to a smaller extent, the slightly deteriorating average rating. The size of non-financial risk provisions (legal cases, operational risk) and the impairment of non-loan related receivables shrank from HUF 58.3 million to HUF 38.1 million.

For the time being, the expected negative fallout from the economic crisis has not yet filtered through to the bank's loan portfolio. The risk position of borrowing clients and the parent companies behind clients is generally strong, but actors of the most vulnerable sectors (automotive, construction and financial sectors, etc.) are being closely monitored by risk management, while the concentration of the bank's exposure is being reduced in cooperation with the various business areas. In order to manage currency risk, the bank now primarily extends FCY loans to clients that can mitigate currency exposure via their foreign currency revenues or hedging.

At the beginning of 2008, the bank received local supervisory support for employing advanced capital requirement calculation methods, and in 2008 - with the Dutch National Bank's authorisation, in cooperation with ING Group - it has determined its capital requirements based on Basel II. Supervisory reports are prepared using the Advanced Internal Rating Based Approach (AIRB) primarily for loan portfolios, the Basic Indicator Approach (BIA) for operational risk and the Standard Approach for market risk.

No significant events affecting the bank occurred between the closing of the books and the preparation of this Management Report.

Budapest, 17 December 2008

On behalf of ING Bank Zrt.'s legal successor, ING Bank N.V.Hungary Branch:

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