Annual Report 2009

ING Bank

ING Bank
2009 Annual Report

In this report

Management

COMPOSITION OF THE BOARDS

ING Bank has a two-tier board system, consisting of a Supervisory Board and a Management Board Banking. The Supervisory Board supervises the policy of the Management Board Banking and the general course of events in the company and assists the Management Board Banking by providing advice. The Management Board Banking is responsible for the daily management of the company. The composition of the Management Board and the Supervisory Board of ING Bank N.V. was as follows.

MANAGEMENT BOARD BANKING

COMPOSITION ON 1 JANUARY 2010

Jan H.M. Hommen (66), chairman
Patrick G. Flynn (49), chief financial officer
Koos (J.) V. Timmermans (49), chief risk officer
Eric F. Boyer de la Giroday (57), vice-chairman and CEO Commercial Banking
Eli P. Leenaars (48), CEO Retail Banking Direct and International
Hans van der Noordaa (48), CEO Retail Banking Benelux

SUPERVISORY BOARD

COMPOSITION ON 1 JANUARY 2010

Peter A.F.W. Elverding (61), chairman
Jeroen van der Veer (62), vice-chairman
Tineke (J.) P. Bahlmann (59)
Henk W. Breukink (60)
Claus Dieter Hoffmann (67)
Piet Hoogendoorn (1) (3) (64)
Piet C. Klaver (2) (64)
Godfried J.A. van der Lugt (69)
Harish Manwani (1) (56)
Aman Mehta (63)
Joan E. Spero (65)
Jackson P. Tai (59)
Karel Vuursteen (1) (68)
Lodewijk J. de Waal (59)

(1) Retirement as of 27 April 2010.
(2) Nominated for reappointment as of 27 April 2010.
(3) Piet Hoogendoorn is not regarded independent because of his position with Deloitte Touch Tohmatsu until 1 June 2007 and considering the important business relationship of Deloitte Touche Tohmatsu with ING at that time.

ING at a glance

ING BANK IS PART OF ING GROUP

ING GROUP

Our mission
To deliver financial products in the way our customers want them delivered: with exemplary service, convenience and at competitive prices. This is reflected in our mission statement: to set the standard in helping our customers manage their financial future.

Our profile
ING is a global financial institution of Dutch origin, currently offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. Going forward, we will concentrate on our position as an international retail, direct and commercial bank, while creating an optimal base for an independent future for our insurance operations (including investment management).

Our strategy
To serve the interests of our stakeholders, increase management focus and create value for our shareholders, ING is moving towards separation of its banking and insurance operations. We believe the widespread demand for greater simplicity, reliability and transparency makes this the best course of action. In the future, ING Bank will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing. ING Insurance has a strong position as a global provider of life insurance and retirement services and is very well-positioned to capitalise on socio-economic trends.

We will focus on earning our customers' trust through transparent products, value for money and superior service. This reflects our universal customer ideal: saving and investing for the future should be easier.

Our stakeholders
ING conducts business on the basis of clearly defined business principles. In all our activities, we carefully weigh the interests of our various stakeholders: customers, employees, business relations and suppliers, society at large and shareholders. ING strives to be a good corporate citizen.

Our corporate responsibility
ING wants to build its future on sustainable profit based on sound business ethics and respect for its stakeholders and be a good corporate citizen. For only by acting with professionalism and integrity, will we be able to maintain our stakeholders' trust and preserve our reputation. Our Business Principles prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible.

ING BANK

ING Bank is active through three Business Lines: Retail Banking, ING Direct and Commercial Banking (formerly Wholesale Banking).

Retail Banking
Provides retail and private banking services to individuals and small and medium-sized enterprises in the Netherlands, Belgium, Luxembourg, Poland, Romania, Turkey, India, Thailand and China (through a stake in Bank of Beijing) with a multi-product, multi-channel distribution approach. In mature markets, we focus on wealth accumulation, savings and mortgages, with an emphasis on operational excellence, cost leadership and customer satisfaction. In developing markets we aim to become a prominent local player by offering simple but high quality products.

ING Direct
Offers direct banking services in Canada, Spain, Australia, France, the US, Italy, Germany, the UK and Austria. Our focus is on offering five simple and transparent retail banking products at very low cost: savings, mortgages, payment accounts, investment products and consumer lending.

Commercial Banking
Primarily targets large corporations in the Netherlands, Belgium, Poland and Romania, where we offer a full range of products, from cash management to corporate finance. Our international network has a more selective approach. We are building leading positions in a number of key product areas, including Structured Finance, Financial Markets, Payments and Cash Management, and Leasing. Commercial Banking also manages ING Real Estate.

Overview and Retail Banking

OVERVIEW

ING Bank N.V., together with ING Verzekeringen N.V., is part of ING Groep N.V. The business lines for the banking activities are Retail Banking, ING Direct and Commercial Banking.

In 2009, ING Bank was comprised of Retail Banking, ING Direct and Commercial Banking. It has a strong European footprint, especially in its home markets in the Benelux, and promising positions in the largest Central European countries: Poland, Romania and Turkey. Beyond Europe, ING Bank has growth options in Canada, Australia, India, China and Thailand.

ING Bank has a home market position in the Benelux markets: ING is the number two retail bank in the Netherlands and ranks fourth in Belgium. It has a strong Benelux Commercial Bank with an international network. ING is the world's leading direct bank. It is the number three retail bank in Germany with DiBa.

ING evaluates its banking activities on an underlying result basis. Underlying result before tax is defined as result before tax excluding the impact of divestments and special items. A reconciliation of net result to underlying result can be found in Note 43 'Operating Segments'.

Financial results

ING Bank continued making profit despite challenging market conditions and uncertain economic environment throughout 2009. ING Bank recorded an underlying result before tax of EUR 1,123 million versus EUR 834 million in 2008, driven by the impact of cost-containment initiatives and higher interest results. Total underlying income rose 11.4% compared to 2008.

Underlying Operating expenses, excluding Additions to loan loss provisions, decreased 5.9% or EUR 597 million, due to the positive impact of cost-containment initiatives, with all business lines contributing to the decline.

As part of the Back to Basics programme, ING's main priorities were on cost cutting, deleveraging the balance sheet and de risking. Over the course of 2009, ING Bank made good progress on realising these priorities. Cost-containment initiatives aimed at cutting operating expenses by EUR 725 million were successful with a total of EUR 802 million realised on a comparable basis. The number of employees has been reduced by 4,425 exceeding the announced headcount reduction of 2,800. ING Bank's target to reduce the balance sheet by 10% at the end of 2009 has been exceeded. At 31 December 2009 the balance sheet was 18% lower (EUR 194 billion) than at the end of September 2008 when the balance sheet reductions began.

In the second phase of the Back to Basics programme, ING focused on fewer, coherent and strong businesses. Therefore ING decided to divest some businesses. In 2009, ING Bank closed the retail banking activities in the Ukraine, a market it entered the year before. ING Bank also announced the sale of its private banking activities in Asia and Switzerland. As a consequence of European Commission requirements, ING Bank has planned to divest certain of its activities before the end of 2013. This involves ING Direct USA and a combination of activities from ING's Dutch retail operations. As part of the Restructuring Plan, a new company will be created in the Dutch retail market out of part of the current operations, by combining the Interadvies banking division (including WestlandUtrecht Hypotheekbank and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail. Furthermore, ING must refrain from being a price leader within the EU for certain retail and SME banking products, and must refrain from acquisitions of financial institutions.

In October 2009, ING announced the full split of the company into a bank and insurer. ING Bank's ambition is to be a leader in international retail, direct and commercial banking with to attractive growth options in Central Europe, Turkey and selected markets throughout the Asia/Pacific region.

RETAIL BANKING

Despite the difficult business environment, Retail Banking delivered a solid performance. Aligned with the Group's Back to Basics programme, Retail Banking concentrated on cost reduction, derisking and deleveraging. In Europe, the launch of the newly integrated Dutch retail bank ING was successfully executed and the new service models in the Benelux progressed well. In Asia, the commitment to long-term growth options continued successfully. The Private Banking activities in Asia and Switzerland were sold.

Underlying result before tax declined 9.3% to EUR 1,534 million in 2009, driven by a strong increase in risk costs. Total result before tax declined 18.0% to EUR 1,164 million, as 2009 included EUR 370 million of charges recognised as special items related to the merger of the retail operations (Postbank and ING Bank) in the Netherlands and the cost savings programme announced in April 2009. Total underlying income declined slightly by 2.2% to EUR 7,239 million. Underlying operating expenses declined 11.3% to EUR 4,708 million driven by the cost containment measures, the benefits from the transformation programmes in the Benelux and favourable currency impacts. In the Benelux, expenses were 10.6% lower. Outside the Benelux, the decline was 14.2%. The addition to the loan loss provisions more than doubled to EUR 997 million in 2009. This was mainly caused by higher risk costs in the mid-corporate and SME segments. At Private Banking risk costs were up as underlying collateral for loans decreased. Risk costs on the mortgage portfolio remained relatively low. The underlying risk-adjusted return on capital (RAROC) after tax from Retail Banking improved to 22.7% in 2009 from 21.7% in 2008.

Benelux: 'internet first' model

In February 2009, the Dutch retail bank ING (combining Postbank and ING Bank) was created. The new bank, based on the internet-first model, serves over 8 million retail clients and 600,000 business customers. By the end of the year, 200 branches had been converted into the new multi-channel service concept, which offers customers the options of banking from home via the internet, telephone or email, or by visiting branches for personal advice.

Retail Banking and ING Direct

ING was successful in maintaining and even slightly increasing customer savings and deposits, and achieved growth of over EUR 3.7 billion compared with year-end 2008.

In Belgium, too, ING is shifting to a business model based on 'direct where possible, advice when needed'. Traditional branches are being transformed into scaled-down outlets with self-service cash functions and online banking access. By the end of 2009 262 of such outlets were opened. Alongside these scaled-down outlets are a further 242 full-service branches. In 2009, clients opened 60,000 new online accounts. Since the launch of the new model, more than 340,000 online products have been sold.

Lending

The economic slowdown meant there was less appetite for borrowing from businesses and individuals. However, ING remained committed to providing loans to businesses and by year-end the total outstanding portfolio (including consumers) had increased to EUR 242.7 billion. As part of the Illiquid Assets Back-up Facility with the Dutch State, ING agreed to support the growth of Dutch lending to businesses and consumers by making available EUR 25 billion for lending at market-conforming terms. ING exceeded the EUR 25 billion commitment and lent EUR 26.2 billion in 2009.

Well-positioned in Central Europe and Asia

Retail Banking is well-positioned in Poland, Romania and Turkey, as well as the important Asian markets of India, China and Thailand. While ING is committed to growth in emerging markets, it has for most part of 2009 put a pause on expansion. In all these markets ING is moving towards the direct-first model, but also investing in gradual organic growth to obtain leadership positions.

In Poland, ING Bank Slaski's number of clients increased by 161,400 to 2.77 million.

In Romania, at Self'Bank customer growth continued, reaching over 900,000 customers at the end of 2009. There were 209 outlets and the bank became profitable in December 2009.

ING Bank Turkey strongly outperformed the mortgage sector and achieved a healthy growth in market share. The number of active clients is some 1.2 million.

In India, ING has a 43.8% stake in ING Vysya Bank. At year-end it had 460 branches. ING Vysya Bank provides retail and commercial banking services to two million customers.

In China, ING has a 16.7% stake in Bank of Beijing, the largest city commercial bank in China.

In Thailand, ING Bank has a 25% stake in TMB Bank, a universal banking platform with a nationwide network. TMB's transformation towards becoming a leading bank with world-class financial solutions is progressing well.

Private Banking

In October 2009, ING announced the sale of its private banking activities in Asia and Switzerland. These divestments are part of the transformation strategy to take the Group Back to Basics and to reduce complexity by having fewer businesses and markets. ING stays committed to private banking in domestic markets. ING wants to focus on creating a strong onshore private banking franchise, and so ING Private Banking in the Benelux and Central Eastern Europe remain integral parts of the Group.

Looking forward

The transformation programmes in the Netherlands and Belgium will be continued to enhance customer centricity, streamline the business, reduce costs, expand distribution capabilities and enhance cross-selling. Accordingly, ING will further simplify its product lines in the rest of Europe and Asia and will continue innovation of distribution based on direct experience.

ING DIRECT

ING Direct's commercial performance was positive despite tough competition, the challenging market circumstances and high market volatility. However, impairments on the investment portfolio and an increase in loan loss provisions in the US had a negative impact, contributing to an underlying pre-tax loss of EUR 666 million. Commercial performance remained solid with a client balances net production of EUR 34.2 billion, reaching EUR 353.8 billion at year-end.

ING Direct posted an underlying loss before tax of EUR 666 million compared with a loss of EUR 1,125 million in 2008. The losses were driven by the continued weak US housing market resulting in additional impairments and increased risk costs, while interest results showed a strong increase. In 2009, ING Direct actively reduced risks to preserve capital. The Illiquid Assets Back-up Facility with the Dutch State reduced the impact of losses on the Alt-A RMBS portfolio by 80%. Furthermore, ING Direct sold part of its US prime RMBS portfolio in the fourth quarter of 2009 to reduce risk-weighted assets. Total client balances in 2009 grew by EUR 45.5 billion to EUR 353.8 billion at year-end. Total underlying income rose by 100.7% to EUR 1,762 million, driven by lower impairments on debt securities combined with a strong increase in interest results. Impairments, primarily on the Alt-A RMBS portfolio in the US, were EUR 1,395 million compared to EUR 1,891 million in 2008. Excluding impairments, underlying income increased 14.0% to EUR 3,156 million. Underlying operating expenses decreased 3.3% to EUR 1,663 million despite a sharp increase in deposit insurance premiums in the US and Germany. The decline reflects strong cost containment, reduced marketing expenses and the cancellation of the Japan start-up. The underlying risk-adjusted return on capital (RAROC) after tax improved to –1.0% from –18.2% in 2008, due to lower impairments on the investment portfolio and improved interest margins.

ING Direct and Commercial Banking

Retail banking activities
ING is bringing together all its retail banking activities. As a result, ING Direct became part of the newly-formed Retail Banking Direct & International division on 1 January 2010. ING will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing, in particular through ING Direct.

ING's Restructuring Plan
Part of the agreement signed with the European Commission (EC) on ING's Restructuring Plan, is the sale of ING Direct USA by 2013. ING only decided to meet the EC's requirements on the condition that the EC guarantees equal treatment of all state-supported financial institutions and safeguards the level playing field in the EU internal market. ING regards ING Direct USA as a very strong franchise and will continue to grow the value of the business. The agreement with the EC has no impact on other ING Direct countries and ING Direct USA will continue to be managed as a long-term shareholder.

Developing the major product categories
Savings: Despite continuing tough competition, ING Direct experienced strong savings inflows. The bank continued to refine its savings products, pricing strategy and retention activities in each of the nine countries in order to win both new customers and more funds from existing customers. Net production of total funds entrusted at ING Direct across all nine countries was EUR 22.2 billion. Including positive currency and market performance effects, funds entrusted amounted to EUR 217.1 billion at year-end.

Mortgages:
A focal point in 2009 was the controlled growth in mortgage lending, as the bank continued to adhere to strict underwriting policies and acceptance standards. In all countries, new mortgage production remained moderate, falling compared with 2008, while margins increased. ING Direct's own-originated residential mortgage portfolio across all countries of operation rose by EUR 10.2 billion in 2009, to reach EUR 124.2 billion, 57% of funds entrusted.

Payment accounts:
Payment accounts performed well in 2009. 278,000 accounts were opened, bringing the total number of payment accounts to 1.6 million globally at year-end. Six out of nine countries now offer payment accounts. ING Direct France and ING Direct Australia launched payment accounts, both of which were enthusiastically received by customers and media.

Investments:
ING Direct reported net inflows of customers and funds in investment products, with the US being a big contributor through its online brokerage platform, ShareBuilder. Assets under management worldwide increased by EUR 3.0 billion to EUR 9.3 billion. ING Direct Italy launched an online trading platform where customers can trade stocks, government bonds and exchange-traded funds. Germany's total securities portfolio, which includes e-brokerage, reached EUR 13.8 billion, a record-growth of 37%.

Consumer-lending:
The fifth product, consumer lending, is offered in Canada, Spain, the US and Germany. ING Direct does not charge fees and pursues a low-profile marketing strategy for this offering. At year-end, the volume amounted to EUR 3.2 billion.

Looking forward
ING Direct rigorously monitored expenses, risk and capital and will continue to do so in 2010. It aims to increase the number of payment accounts among its savings customers in the next three years. ING Direct continued its strategy of putting the customer first and will continue to do so in 2010, while gradually expanding its product offering and broadening customer relationships. In doing so, it will maintain outstanding levels of customer satisfaction supported by state-of-the-art IT systems.

COMMERCIAL BANKING
Commercial Banking achieved very strong operating results in what was again an extremely challenging year for the industry. The business was boosted by strong income growth in Financial Markets, Structured Finance and General Lending. However, overall results were significantly affected by negative revaluations and impairments on real estate. ING succeeded in reducing costs in 2009 but loan loss provisions increased. Commercial Banking remained dedicated to its Fitter, Focused, Further strategy in 2009, with the aim of becoming a leader in several key markets and products by the end of 2010. The success of this strategy was underscored by solid market penetration, lead bank standing and landmark deal participation in its home markets.

Underlying result before tax rose 14.0% to EUR 694 million. ING Real Estate recorded a loss of EUR 1,389 million compared with a loss of EUR 297 million in 2008. Excluding ING Real Estate, the underlying profit of Commercial Banking more than doubled to EUR 2,083 million. Underlying profit before tax from Financial Markets more than tripled to EUR 1,289 million thanks to a strong commercial performance coupled with lower negative market impacts. The results of General Lending & Payments and Cash Management (PCM) increased by 40.6%, as higher margins in General Lending coupled with lower expenses more than compensated for increased risk costs. Structured Finance's result declined by 11.1% due to higher risk costs; excluding risk costs, result before tax was up 38.7% driven by higher margins. Profit before tax in Leasing & Commercial Finance declined 43.7% to EUR 67 million. Total underlying income increased 14.1% to EUR 4,687 million driven mainly by Financial Markets, General Lending & PCM and Structured Finance. Underlying operating expenses remained under control, dropping 4.1% to EUR 2,782 million despite EUR 450 million of impairments on real estate development projects. Risk costs increased significantly to EUR 1,210 million compared with EUR 596 million in 2008. The underlying risk-adjusted return on capital (RAROC) after tax rose to 9.5% from 4.9% in 2008.

Commercial Banking

ING Real Estate recorded an underlying loss before tax of EUR 1,389 million compared with a loss of EUR 297 million in 2008.

Fundamental role within ING Bank
Commercial Banking, which was renamed from Wholesale Banking in 2009, continues to play a fundamental role in ING Bank. One of the main functions of Commercial Banking is to collect customer deposits and redeploy these funds as investments. It also generates high-quality assets into which ING can invest retail deposits, and provides the Group with many relevant skills in financial markets, risk and specialist finance. It conducts operations for corporate clients – from large companies to major multinationals – as well as for governments and financial institutions. Commercial Banking's primary focus is on its home markets in the Benelux, as well as in Central and Eastern Europe, where it offers a full range of products. Elsewhere, it takes a more selective approach to clients and products.

Focused strategy
In 2009, Commercial Banking continued to execute its Fitter, Focused, Further strategy for 2008-2010, the aim of which is to become a leader in several key markets and products by the end of 2010. The strategy includes becoming the market leader in the Benelux, a top-five wholesale bank in Central and Eastern Europe, a global leader for Structured Finance and Financial Markets, and a regional leader for PCM and Leasing.

Volume growth in General Lending & PCM
General Lending is used as an entry product in all regions to attract customers and to cross-sell other high-value products. Volumes decreased in General Lending over the course of the year. However, income for General Lending increased due to repricing the portfolio and widening lending margins in the first half of the year. Additional income from landmark deals with AB InBev and Gas Natural also lifted returns. Income at ING's PCM business was affected by lower interest rates and competition for liabilities, especially in the Netherlands and Central and Eastern Europe.

Strong demand for Structured Finance
Structured Finance helps companies finance large capital projects and transfer risk through various products. In 2009, solid income growth and declining costs at Structured Finance were more than offset by an increase in risk costs. Interest margins strongly increased since 2008 due to continued portfolio repricing. Commission income increased thanks to fees earned on waivers and restructuring.

Leasing & Commercial Finance impacted
Leasing & Commercial Finance experienced a decline in earnings due to weak economic conditions that resulted in a lower profits on the sale of leased assets and increased residual value provisioning, and an increase in risk costs. Expenses decreased as a result of cost-containment measures. Income for ING Car Lease was adversely impacted by lower prices on the used vehicle market. However, the market for second-hand cars in the Netherlands and the UK did show an improvement in the second half of the year.

Solid Financial Markets performance
In 2009, Financial Markets (FM) enjoyed a very strong year due to the positive yield curve, increased spreads and favourable trading conditions. FM did well seeking out cross-selling opportunities across product areas and client groups, as part of its renewed focus on emerging markets, home markets, strategic clients and global clients. ING is diversifying away from higher risk businesses, including proprietary trading. The fixed income market was extremely buoyant due to the continued disruption of the loan syndication market. This resulted in a marked improvement in ING's league table position in Euro sovereign bonds and Benelux corporate bonds. FM also saw strong results in interest rate related products, including government bonds, credit bonds and interest rate derivatives.

ING Real Estate
ING Real Estate includes the Finance, Development and Investment Management businesses, which report to Commercial Banking. The fee business of Real Estate Investment Management saw a decrease in its result before tax of EUR 7 million to EUR 73 million due to lower market activity. The result before tax of the Real Estate Investment Portfolio decreased from a loss of EUR 695 million in 2008 to a loss of EUR 1,173 million in 2009. This is almost completely related to the much higher negative fair value changes in 2009. Real Estate Finance's underlying result decreased from EUR 240 million in 2008 to EUR 181 million. Underlying income was higher, operating expenses were lower, but these were offset by substantially higher risk costs. The Finance portfolio was EUR 35.2 billion, down from EUR 37.0 billion by year-end 2008, due to limited market activity. Real Estate Development reported a loss of EUR 470 million compared to a profit of EUR 78 million a year earlier. This was largely due to impairments and to a lesser extent to fair value changes. Excluding fair value changes and impairments the result decreased from EUR 66 million in 2008 to EUR 14 million in 2009. Operating expenses, excluding impairments, fell 29% following a significant headcount reduction. Total assets under management for Real Estate (Real Estate Investment Management and Real Estate Development) decreased slightly from EUR 69.5 billion to EUR 66.8 billion.

Looking forward
ING will continue on its course to becoming a leading European commercial bank with selective growth options in other regions. It will do so through continuing to secure important mandates and transactions, and by building on its expertise and international network to meet client needs globally. Risk and expenses will be managed carefully and the strategic focus will continue on key markets and product areas where it has a competitive advantage. In 2010, the bank will strengthen its Financial Markets platform and PCM capacity, and expand its coverage of financial institutions and clients in Belgium.

Corporate Governance Statement and Dutch Banking Code

CORPORATE GOVERNANCE STATEMENT

Our Corporate Governance Statement, referred to in section 2a of the Decree with respect to the contents of the annual report (Besluit tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag) (1) is the description of the main features of ING Group's internal control and risk management systems in relation to the financial reporting process which is included in the statement with respect to Section 404 Sarbanes-Oxley Act on page 74 of the 2009 Annual Report of ING Groep N.V. This description also describes our internal control and risk management systems with respect our financial reporting process. The 2009 Annual Report of ING Groep N.V. is available on its website (www.ing.com).

(1) Dutch Bulletin of Acts (Staatsblad) 2009, 154.

DUTCH BANKING CODE

On 9 September 2009 the Dutch Banking Association adopted the Banking Code *(Code Banken)*, which became effective on 1 January 2010. As from the 2010 financial year, ING Bank N.V. will report on the implementation of the Banking Code. On the application of the principles regarding remuneration, the Annual Report of ING Group will report as from the 2010 financial year. More details on the Dutch Banking Code are available on www.ing.com.

AMSTERDAM, 15 MARCH 2010
THE MANAGEMENT BOARD BANKING

Report of the Supervisory Board

TO SHAREHOLDERS

The Supervisory Board hereby presents you the 2009 Annual Report of ING Bank N.V. This Annual Report includes the report of the Management Board, the Annual Accounts and Other Information.

ANNUAL ACCOUNTS AND DIVIDEND

The Annual Accounts have been prepared by the Management Board and have been discussed by the Supervisory Board. They are presented to you for adoption. Given the uncertain financial environment, ING Bank will not pay a dividend over 2009.

MEETINGS

The Supervisory Board met 15 times in 2009. Seven meetings were scheduled. The ad hoc meetings focused mainly on the development of the financial markets crisis and the strategy for ING going forward, as well as on the Illiquid Assets Back-up Facility (IABF) with the Dutch State and the discussions with the European Commission (EC) about the restructuring plan for ING. The Supervisory Board approved the new strategy to transform ING Bank into a predominantly European bank with an increased focus on customers.

The Supervisory Board approved the ING Restructuring Plan that was negotiated with the European Commission, under the assumption that the level playing field in the EU internal market and equal treatment of all state-supported financial institutions would be safeguarded by the EC. The outcome of the negotiations included the divestment of ING Direct USA by the end of 2013, the creation of a new company in the Dutch retail market by combining the Interadvies banking division (including WestlandUtrecht and the mortgage activities of Nationale-Nederlanden) with the consumer lending portfolio of ING Retail.

The Audit Committee had seven meetings. At the beginning of the year the Audit Committee focused on the effects of the financial crisis on ING and follow-up actions. Apart from the annual and quarterly results, other topics discussed in the meeting were risk, governance, capital management and regulatory matters.

COMPOSITION OF THE MANAGEMENT BOARD

In May 2009, the Management Boards of ING Bank N.V. and of ING Verzekeringen N.V. were separated to simplify the governance structure and increase business focus. Jan Hommen, Patrick Flynn and Koos Timmermans as well as Eric Boyer de la Giroday, Eli Leenaars and Dick Harryvan remained members of the Management Board. Hans van der Noordaa stepped down from the Management Board Insurance to replace Dick Harryvan who left ING and stepped down from the Management Board as of 1 January 2010. We would like to thank Dick Harryvan for three decades of dedicated service to ING.

COMPOSITION OF THE SUPERVISORY BOARD

Eric Bourdais de Charbonnière and Wim Kok retired from the Supervisory Board and Godfried van der Lugt was reappointed as a member of the Supervisory Board at the annual General Meeting in April 2009. Tineke Bahlmann and Lodewijk de Waal were appointed as new members of the Supervisory Board as of this General Meeting, whereas Jeroen van der Veer was appointed as a new member of the Supervisory Board as of 1 July 2009.

Following the 2009 annual General Meeting, Peter Elverding succeeded Jan Hommen as chairman of the Supervisory Board. Jackson Tai succeeded Wim Kok as chairman of the Audit Committee. Jeroen van der Veer was appointed vice-chairman of the Supervisory Board as of 1 October 2009.

Karel Vuursteen will retire from the Supervisory Board after the 2010 annual General Meeting, as will Piet Hoogendoorn and Harish Manwani. Considering his ING experience and the requirements of the Dutch Banking Code, Godfried van der Lugt was asked to stay on the Supervisory Board although he was due to retire in April 2010, having reached the age of 70 in 2010. Taking into account ING’s new strategy and the evaluation of its functioning, the Supervisory Board wishes to reduce its size and therefore the Supervisory Board has nominated no new candidates for appointment and will consist of 11 members.

APPRECIATION FOR THE MANAGEMENT BOARD AND THE ING BANK EMPLOYEES

The Supervisory Board would like to thank Karel Vuursteen, Piet Hoogendoorn and Harish Manwani for their commitment and their valuable contribution to ING. The Supervisory Board would also like to thank the members of the Management Board for their work and commitment to ING in a very challenging political and economic environment. In 2009 the work of the Management Board focused on getting ING back on track and preparing the future strategy. Finally, the Supervisory Board would also like to express its appreciation to the ING Bank employees who each serve the interests of the customers, the shareholders and other stakeholders of ING.

AMSTERDAM, 15 MARCH 2010
THE SUPERVISORY BOARD

Conformity statement

The Management Board is required to prepare the Annual Accounts and the Annual Report of ING Bank N.V. for each financial year in accordance with applicable Dutch law and those International Financial Reporting Standards (IFRS) that were endorsed by the European Union.

Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act *(Wet op het financieel toezicht).*

The Management Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgments and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his or her knowledge:

- the ING Bank N.V. 2009 Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Bank N.V. and the enterprises included in the consolidation taken as a whole;

- the ING Bank N.V. 2009 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2009 of ING Bank N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks ING Bank N.V. is being confronted with.

AMSTERDAM, 15 MARCH 2010

Jan Hommen
chairman of the Management Board

Patrick Flynn
CFO, member of the Management Board

Koos Timmermans
CRO, member of the Management Board

Eric Boyer de la Giroday
vice-chairman of the Management Board

Eli Leenaars
member of the Management Board

Hans van der Noordaa
member of the Management Board

Consolidated balance sheet of ING Bank

as at 31 December

amounts in millions of euros	2009	2008
ASSETS		
Cash and balances with central banks 1	**12,602**	18,169
Amounts due from banks 2	**43,397**	48,447
Financial assets at fair value through profit and loss 3		
– trading assets	**110,981**	159,843
– non-trading derivatives	**8,610**	10,631
– designated as at fair value through profit and loss	**3,178**	4,548
Investments 4		
– available-for-sale	**92,182**	133,365
– held-to-maturity	**14,409**	15,440
Loans and advances to customers 5	**551,774**	598,328
Investments in associates 6	**1,396**	1,813
Real estate investments 7	**2,283**	2,884
Property and equipment 8	**5,567**	5,686
Intangible assets 9	**2,377**	2,415
Assets held for sale 10	**4,583**	
Other assets 11	**28,780**	33,120
Total assets	**882,119**	1,034,689
EQUITY		
Shareholders' equity (parent) 12	**30,222**	22,889
Minority interests	**995**	1,232
Total equity	**31,217**	24,121
LIABILITIES		
Subordinated loans 13	**21,193**	21,657
Debt securities in issue 14	**109,357**	84,272
Amounts due to banks 15	**84,235**	152,265
Customer deposits and other funds on deposit 16	**477,602**	537,683
Financial liabilities at fair value through profit and loss 17		
– trading liabilities	**98,245**	152,611
– non-trading derivatives	**16,777**	17,050
– designated as at fair value through profit and loss	**11,474**	14,009
Liabilities held for sale 10	**4,631**	
Other liabilities 18	**27,388**	31,021
Total liabilities	**850,902**	1,010,568
Total equity and liabilities	**882,119**	1,034,689

References relate to the notes starting on page 34. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of ING Bank

for the years ended 31 December

amounts in millions of euros	2009	2009	2008	2008	2007	2007
Interest income	**80,348**		97,578		76,765	
Interest expense	**–67,586**		–86,292		–67,730	
Interest result 32		**12,762**		11,286		9,035
Investment income 33		**–1,742**		–2,386		809
Net result on disposals of group companies 34		**–13**		162		138
Gross commission income	**3,553**		3,994		4,166	
Commission expense	**–875**		–1,099		–1,240	
Commission income 35		**2,678**		2,895		2,926
Valuation results on non-trading derivatives 36		**–921**		343		126
Net trading income 37		**833**		–405		740
Share of profit from associates 6		**–388**		–210		238
Other income 38		**456**		492		580
Total income		**13,665**		12,177		14,592
Addition to loan loss provisions 5		**2,973**		1,280		125
Intangible amortisation and other impairments 39		**496**		154		–5
Staff expenses 40		**5,243**		5,988		5,421
Other operating expenses 41		**4,453**		4,222		4,597
Total expenses		**13,165**		11,644		10,138
Result before tax		**500**		533		4,454
Taxation 42		**–43**		–170		753
Net result (before minority interests)		**543**		703		3,701
Attributable to:						
Shareholders of the parent		**684**		772		3,589
Minority interests		**–141**		–69		112
		543		703		3,701

	2009	2008	2007
Dividend per ordinary share (in euros)	**0.00**	9.14	2.80
Total amount of dividend paid (in millions of euros)	**0**	4,250	1,300

References relate to the notes starting on page 82. These form an integral part of the consolidated annual accounts.

Consolidated statement of comprehensive income of ING Bank

for the years ended 31 December

amounts in millions of euros	**2009**	2008	2007
Net result	**543**	703	3,701
Unrealised revaluations after taxation	**5,554**	–6,757	675
Realised gains/losses transferred to profit and loss	**877**	1,523	–338
Changes in cash flow hedge reserve	**–344**	–556	–227
Exchange rate differences	**333**	–630	–360
Other revaluations	**–75**	–374	281
Total amount recognised directly in equity (other comprehensive income)	**6,345**	–6,794	31
Total comprehensive income	**6,888**	–6,091	3,732
Comprehensive income attributable to:			
Shareholders of the parent	**7,125**	–5,639	3,252
Minority interests	**–237**	–452	480
	6,888	–6,091	3,732

The Unrealised revaluations after taxation comprises EUR 2 million (2008: EUR 83 million; 2007: EUR –3 million) related to the share of other comprehensive income of associates.

The Exchange rate differences comprises EUR 70 million (2008: EUR –99 million; 2007: EUR –44 million) related to the share of other comprehensive income of associates.

Reference is made to Note 18 ‘Other liabilities’ for the disclosure on the income tax effects on each component of the comprehensive income, except for the component Net result which is disclosed in the Consolidated profit and loss account.

Consolidated statement of cash flows of ING Bank

for the years ended 31 December

amounts in millions of euros		2009	2008	2007
Result before tax		**500**	533	4,454
Adjusted for	– depreciation	**1,488**	1,224	1,169
	– addition to loan loss provisions	**2,973**	1,280	125
	– other	**3,674**	4,510	90
Taxation paid		**–551**	–227	–579
Changes in	– amounts due from banks, not available on demand	**8,611**	7,162	–8,690
	– trading assets	**47,893**	33,335	1,757
	– non-trading derivatives	**827**	7,977	94
	– other financial assets at fair value through profit and loss	**1,878**	3,321	–4,107
	– loans and advances to customers	**9,489**	–76,154	–73,866
	– other assets	**2,298**	–9,308	–5,107
	– amounts due to banks, not payable on demand	**–67,410**	13,210	15,414
	– customer deposits and other funds on deposit	**14,266**	18,750	32,748
	– trading liabilities	**–54,366**	3,501	20,916
	– other financial liabilities at fair value through profit and loss	**–2,557**	99	85
	– other liabilities	**–4,733**	3,042	6,290
Net cash flow from operating activities		**–35,720**	12,255	–9,207
Investments and advances	– group companies	**–5**	–592	–2,026
	– associates	**–70**	–383	–660
	– available-for-sale investments	**–58,424**	–95,036	–95,546
	– held-to-maturity investments		–314	
	– real estate investments	**–114**	–295	–253
	– property and equipment	**–541**	–547	–385
	– assets subject to operating leases	**–1,034**	–1,401	–1,393
	– loan portfolio		–2,526	
	– other investments	**–275**	–614	–210
Disposals and redemptions	– group companies		201	25
	– associates	**108**	140	223
	– available-for-sale investments	**62,669**	94,976	100,297
	– held-to-maturity investments	**1,675**	1,640	822
	– real estate investments	**648**	190	139
	– property and equipment	**65**	24	69
	– assets subject to operating leases	**93**	428	417
	– loan portfolio	**18**		
	– other investments	**6**	8	7
Net cash flow from investing activities 45		**4,819**	–4,101	1,526
Proceeds from issuance of subordinated loans		**1,931**	3,643	2,622
Repayments of subordinated loans		**–1,985**	–1,432	–1,028
Proceeds from borrowed funds and debt securities		**419,224**	355,942	407,289
Repayments of borrowed funds and debt securities		**–397,639**	–322,055	–417,186
Issuance of ordinary shares/capital injection		**150**	7,200	2,200
Dividends paid			–4,250	–1,300
Net cash flow from financing activities		**21,681**	39,048	–7,403
Net cash flow 46		**–9,220**	47,202	–15,084
Cash and cash equivalents at beginning of year		**27,395**	–19,389	–4,352
Effect of exchange rate changes on cash and cash equivalents		**–5**	–418	47
Cash and cash equivalents at end of year 47		**18,170**	27,395	–19,389

As at 31 December 2009 Cash and cash equivalents includes Cash and balances with central banks of EUR 12,602 million (2008: EUR 18,169 million; 2007: EUR 9,829 million). Reference is made to Note 47 ‘Cash and cash equivalents’.

References relate to the notes starting on page 95. These form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of ING Bank

for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2007	525	6,992	13,781	21,298	1,204	22,502
Unrealised revaluations after taxation			675	675		675
Realised gains/losses transferred to profit and loss			–338	–338		–338
Changes in cash flow hedge reserve			–227	–227		–227
Exchange rate differences			–360	–360		–360
Other revaluations			–87	–87	368	281
Total amount recognised directly in equity			–337	–337	368	31
Net result			3,589	3,589	112	3,701
			3,252	3,252	480	3,732
Employee stock options and share plans			61	61		61
Dividends [(1)]			–1,300	–1,300		–1,300
Capital injection		2,200		2,200		2,200
Balance as at 31 December 2007	525	9,192	15,794	25,511	1,684	27,195
Unrealised revaluations after taxation			–6,757	–6,757		–6,757
Realised gains/losses transferred to profit and loss			1,523	1,523		1,523
Changes in cash flow hedge reserve			–556	–556		–556
Exchange rate differences			–630	–630		–630
Other revaluations			9	9	–383	–374
Total amount recognised directly in equity			–6,411	–6,411	–383	–6,794
Net result			772	772	–69	703
			–5,639	–5,639	–452	–6,091
Employee stock options and share plans			67	67		67
Dividends [(2)]			–4,250	–4,250		–4,250
Capital injection		7,200		7,200		7,200
Balance as at 31 December 2008	525	16,392	5,972	22,889	1,232	24,121
Unrealised revaluations after taxation			**5,554**	**5,554**		**5,554**
Realised gains/losses transferred to profit and loss			**877**	**877**		**877**
Changes in cash flow hedge reserve			**–344**	**–344**		**–344**
Exchange rate differences			**333**	**333**		**333**
Other revaluations			**21**	**21**	**–96**	**–75**
Total amount recognised directly in equity			**6,441**	**6,441**	**–96**	**6,345**
Net result			**684**	**684**	**–141**	**543**
			7,125	**7,125**	**–237**	**6,888**
Employee stock options and share plans			**58**	**58**		**58**
Capital injection		**150**		**150**		**150**
Balance as at 31 December 2009	**525**	**16,542**	**13,155**	**30,222**	**995**	**31,217**

(1) 2007 interim dividend of EUR 2.80 per ordinary share.
(2) 2008 interim dividend of EUR 9.14 per ordinary share.

Consolidated statement of changes in equity of ING Bank (continued)

In 2009, deferred taxes for the year with regard to unrealised revaluations amounted to EUR –2,331 million (2008: EUR 2,594 million). For details on deferred tax see Note 18 ‘Other liabilities’.

In 2009, an amount of EUR 150 million (2008: EUR 7,200 million) additional share premium was received from ING Group to strengthen solvency.

Reserves include Revaluation reserve of EUR 2,329 million (2008: EUR –3,857 million; 2007: EUR 2,105 million), Currency translation reserve of EUR –241 million (2008: EUR –475 million; 2007: EUR –18 million) and Other reserves of EUR 11,067 million (2008: EUR 10,304 million; 2007: EUR 13,707 million). Changes in individual components are presented in Note 12 ‘Shareholders’ equity (parent)’.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank

AUTHORISATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Bank N.V. ('ING Bank') for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Management Board on 15 March 2010. ING Bank N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Bank are described in 'ING at a glance'.

BASIS OF PRESENTATION

ING Bank applies International Financial Reporting Standards as adopted by the European Union ('EU').

The following new or revised standards, interpretations and amendments to standards and interpretations became effective in 2009:

- Amendment to IFRS 2 'Share-based Payments' – 'Vesting Conditions and Cancellations'
- IFRS 8 'Operating Segments'
- IAS 1 'Presentation of Financial Statements'
- IAS 23 'Borrowing Costs'
- Amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation'
- Amendments to IFRS 1 'First-time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements – Determining the cost of an Investment in the Separate Financial Statements'
- IFRIC 13 'Customer Loyalty Programmes'
- IFRIC 15 'Agreements for the Construction of Real Estate'
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
- 2008 Annual Improvements to IFRS
- Amendment to IFRS 7 'Improving Disclosures about Financial Instruments'
- Amendments to IFRIC 9 and IAS 39 – 'Embedded Derivatives'.

None of these recently issued or amended standards and interpretations has had a material effect on equity or result for the year. The implementation of the Amendment to IFRS 7 'Improving Disclosures about Financial Instruments' had a significant impact on the disclosure of 'Methods applied in determining fair values of financial assets and liabilities' (the three-level fair value hierarchy). Further information is provided in Note 31 'Fair value of financial assets and liabilities'.

The following new or revised standards and interpretations were issued by the IASB, which become effective for ING Bank as of 2010 (unless otherwise indicated) if and when endorsed by the EU:

- Amendment to IFRS 1 'First-time adoption of IFRS'
- IFRS 3 'Business Combinations' (revised) and IAS 27 'Consolidated and Separate Financial Statements' (amended)
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items'
- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'
- 2009 Annual Improvements to IFRS
- Amendment to IFRS 2 'Group Cash-settled Share-based Payment Transactions'
- Amendments to IFRS 1 'Additional Exemptions for First-time Adopters'
- Classification of Rights Issues (Amendment to IAS 32), effective as of 2011
- Amendment to IAS 24 'Related Party Disclosures', effective as of 2011
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement', effective as of 2011
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective as of 2011
- Amendment to IFRS 1 'Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters', effective as of 2011.

ING Bank does not expect the adoption of these new or revised standards and interpretations to have a significant effect on the consolidated financial statements.

Furthermore, in 2009 IFRS 9 'Financial Instruments' was issued, which is effective as of 2013. However, this standard was not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. Implementation of IFRS 9 – if and when endorsed by the EU – may have a significant impact on equity and/or result of ING Bank.

International Financial Reporting Standards as adopted by the EU provide several options in accounting policies. ING Bank's accounting policies under these Standards and its decision on the options available are set out in the section 'Principles of valuation and determination of results' below.

In this document the term 'IFRS-EU' is used to refer to International Financial Reporting Standards as adopted by the EU, including the decisions ING Bank made with regard to the options available under International Financial Reporting Standards as adopted by the EU.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

As explained in the section 'Principles of valuation and determination of results' and in Note 21 'Derivatives and hedge accounting' ING Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU.

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, consolidated statement of cash flows, consolidated statement of changes in equity and certain notes have been changed to provide additional and more relevant information.

CRITICAL ACCOUNTING POLICIES

ING Bank has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to the loan loss provision, the determination of the fair values of real estate and financial assets and liabilities, impairments and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below under 'Principles of valuation and determination of results'.

LOAN LOSS PROVISIONS

Loan loss provisions are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry and geographical concentration trends. Changes in such judgements and analyses may lead to changes in the loan loss provisions over time.

The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

FAIR VALUE OF REAL ESTATE

Real estate investments are reported at fair value; all changes in fair value are recognised directly in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The valuations are based on the assumption that the properties are let and sold to third parties based on the actual letting status. The valuations are based on a discounted cash flow analysis of each property. The discounted cash flow analyses are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values when leases expire.

For each reporting period every property is valued, either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals are monitored as part of the procedures to back test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at year end.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different revaluations.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities are determined using quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments, where an exchange price is not available market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

In certain markets that have become significantly less liquid or illiquid, the range of prices for the same security from different price sources can be significant. Selecting the most appropriate price within this range requires judgement. The choice of different prices could produce materially different estimates of fair value.

For certain financial assets and liabilities, quoted market prices are not available. For these financial assets and liabilities fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations, credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to materially incorrect or misused models.

Reference is made to Note 31 'Fair value of financial assets and liabilities' for the basis of the determination of the fair values of the financial instruments and related sensitivities.

IMPAIRMENTS

Impairments evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a material impact on ING Bank's consolidated financial statements. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit and loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers.

Upon impairment, the full difference between amortised cost and fair value is removed from equity and recognised in net profit or loss. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities may not be reversed.

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that impairment may have occurred. Goodwill is tested for impairment by comparing the book value (including goodwill) to the best estimate of the fair value less cost to sell of the reporting unit to which the goodwill has been allocated. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing its book value with the best estimate of its recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known.

EMPLOYEE BENEFITS

Group companies operate various defined benefit retirement plans covering a significant number of ING Bank's employees.

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

The determination of the defined benefit plan liability is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets and are updated annually.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognised in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. If such is the case the excess is then amortised over the employees' expected average remaining working lives. Reference is made to Note 18 'Other liabilities' for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Bank ('the Bank') comprises ING Bank N.V. and all subsidiaries. The consolidated financial statements of ING Bank comprise the accounts of ING Bank N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies, through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

A list of principal subsidiaries is included in Note 26 'Principal subsidiaries'.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether ING Bank controls another entity. For interests in investment vehicles the existence of control is determined taking into account both ING Bank's financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Bank has agreed to sell but is still legally owned by ING Bank may still be controlled by ING Bank at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as a held for sale disposal group if certain conditions are met. Disposal groups (and Non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group (or asset) is available for immediate sale in its present condition; management must be committed to the sale, which should be expected to occur within one year from the date of classification as held for sale.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Bank companies have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with ING Bank's policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Bank N.V. There are no material restrictions on subsidiaries to transfer funds to ING Bank N.V.

ING Bank's interests in jointly controlled entities are accounted for using proportionate consolidation. ING Bank proportionately consolidates its share of the joint ventures' individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in ING Bank's financial statements. ING Bank recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Bank does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by ING Bank from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

SEGMENT REPORTING

An operating segment is a distinguishable component of the Bank engaged in providing products or services that is subject to risks and returns that are different from those of other operating segments. A geographical area is a distinguishable component of the Bank engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit and loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date the fair value is determined. Exchange rate differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 37 'Net trading income', which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned in Group companies below any exchange rate differences deferred in equity are recognised in the profit and loss account in Net result on disposals of group companies. Reference is made to Note 12 'Shareholders' equity (parent)', which discloses the amounts included in the profit and loss account.

Group companies

The results and financial position of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, these exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by the Bank is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Bank uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 31 'Fair value of financial assets and liabilities' for the basis of the determination of the fair value of financial instruments.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

FINANCIAL ASSETS

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss, held-to-maturity and available-for-sale and trading that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date on which the Bank commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which the bank receives or delivers the asset.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Bank is exposed to changes in the value of the asset.

Realised gains and losses on investments

Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives, loans and receivables and other and comprise the following sub-categories: trading assets, non-trading derivatives and financial assets designated at fair value through profit and loss by management.

A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if so designated by management. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. Transaction costs on initial recognition are expensed as incurred. See also Non-trading derivatives that do not qualify for hedge accounting.

Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognised in Interest income in the profit and loss account, using the effective interest method. Dividend income from equity instruments classified as at fair value through profit and loss is generally recognised in Investment income in the profit and loss account, when dividend has been declared. For derivatives, reference is made to the 'Derivatives and hedge accounting'-section. For all other financial assets classified as at fair value through profit and loss changes in fair value are recognised in Net trading income.

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised at fair value plus transaction costs. Investment securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Interest income in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as available-for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared. Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as investment income. For impairments of available-for-sale financial assets reference is made to the section 'Impairment of other financial assets'. Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity which the Bank has the positive intent and ability to hold to maturity and which are designated as held-to-maturity assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognised in Interest income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognised in Interest income in the profit and loss account using the effective interest method.

Credit risk management classification
Credit risk management disclosures are provided in the section ‘Risk management’. The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:

- Lending risk arises when ING Bank grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;
- Investment risk comprises the credit default and migration risk that is associated with ING Bank's investment portfolio and among others relates to the balance sheet classifications Investments (available-for-sale and held-to-maturity) and Loans and advances to customers;
- Money market risk arises when ING Bank places short term deposits with a counterparty in order to manage excess liquidity and mainly relates to the balance sheet classification Amounts due from banks;
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Bank has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and to security financing;
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Bank has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

DERIVATIVES AND HEDGE ACCOUNTING
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, such as discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair values are negative.

Some credit protection contracts that take the legal form of a derivative, such as certain credit default swaps, are accounted for as financial guarantees.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when the Bank first becomes party to the contract. A subsequent reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedges), or hedges of a net investment of a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction ING Bank documents the transaction the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

ING Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

ING Bank applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve-out' to its retail operations. The net exposures of retail funding (savings and current accounts) and retail lending (mortgages) are hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages. Changes in the fair value of the derivatives are recognised in the profit and loss account, together with the fair value adjustment on the mortgages (hedged items) insofar as attributable to interest rate risk (the hedged risk).

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the profit and loss account.

Net investment hedges
Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is disposed of.

Non-trading derivatives that do not qualify for hedge accounting
Derivative instruments that are used by the Bank as part of its risk management strategies but which do not qualify for hedge accounting under ING Bank's accounting policies are presented as non-trading derivatives. Non-trading derivatives are stated at fair value with changes in the fair value taken to the profit and loss account.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when the Bank has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS
Securities sold subject to repurchase agreements ('repos') are retained in the consolidated balance sheet. The counterparty liability is included in Amounts due to banks or Customer deposits and other funds on deposit as appropriate.

Securities purchased under agreements to resell ('reverse repos') are recognised as Loans and advances to customers or Amounts due from banks, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)
ING Bank assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. ING Bank has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Bank's credit risk systems.

The Bank does not consider events that may be expected to occur in the future as objective evidence and, consequently, they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account ('Loan loss provision') and the amount of the loss is recognised in the profit and loss account under 'Addition to loan loss provision'. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a 'loss confirmation period' to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point-in-time at which those events are captured by the Bank's credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Bank's loan loss provision. Although the loss confirmation periods are inherently uncertain, the Bank applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Bank's account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

When a loan is uncollectible, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the profit and loss account.

IMPAIRMENT OF OTHER FINANCIAL ASSETS
At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. (In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired). 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally 25% and six months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the net result – is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss account, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES
Associates are all entities over which the Bank has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:
- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The Bank's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Bank's share of its associates' post-acquisition profits and losses is recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Bank. The reporting dates of all material associates are consistent with the reporting date of the Bank.

For interests in investment vehicles the existence of significant influence is determined taking into account both the Bank's financial interests for own risk and its role as investment manager.

REAL ESTATE INVESTMENTS
Real estate investments are stated at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sale proceeds and book value is recognised in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. Each year every property is valued, either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions, and disposals made by the group, are monitored as part of the procedures to back test the indexation methodology. All properties are valued independently at least every five years.

PROPERTY AND EQUIPMENT
Property in own use
Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

The fair value of land and buildings is based on regular appraisals by independent qualified valuers. Subsequent expenditure is included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Property obtained from foreclosures
Properties obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets – Property held for sale.

Property under development
Property developed and under development for which ING Bank has the intention to sell the property after its completion is included in Other assets – Property held for sale.

Property under development for which ING Bank has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Bank's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than bookvalue.

Property under development for which ING Bank has the intention to sell the property under development after its completion and where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in profit and loss) if ING Bank has the intention to recognise the property under development after completion as real estate investments.

Equipment
Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is charged to the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Assets under operating leases
Assets leased out under operating leases in which ING Bank is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term. Reference is made to the section 'Leases'.

Disposals
The difference between the proceeds on disposal and net book value is recognised in the profit and loss account.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

LEASES
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date.

The Bank as the lessee
The leases entered into by ING Bank are primarily operating leases. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Bank as the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Amounts due from banks. The difference between the gross receivable and the present value of the receivable is unearned lease finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under Assets under operating leases.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

ING Bank's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value could be complex and the time between the acquisition and the preparation of the Annual Accounts could be limited. The initial accounting shall be completed within a year of acquisition. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and ING Bank's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Goodwill is only capitalised on acquisitions after the implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were charged directly to shareholders' equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recognised as an adjustment to goodwill, even after the first year. On disposal of Bank companies, the difference between the sale proceeds and book value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

TAXATION

Income tax on net result for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but it is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Financial liabilities at amortised cost include the following sub-categories: Preference shares, other borrowed funds, debt securities in issue, subordinated loans, amounts due to banks and customer deposits and other funds on deposit.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities. The dividends on these preference shares are recognised in the profit and loss account as Interest expense using the effective interest method.

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If ING Bank purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non-trading derivatives and other financial liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. ING Bank has designated an insignificant part of the issued debt, relating to market-making activities, at fair value through profit and loss. This issued debt consists mainly of own bonds. The designation as fair value through profit and loss eliminates the inconsistency in the timing of the recognition of gains and losses. All other financial liabilities are measured at amortised cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognised at fair value and are subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less, cumulative amortisation to reflect revenue recognition principles.

OTHER LIABILITIES

Employee benefits – pension obligations

Bank companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Bank has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

The expected value of assets is calculated using the expected rate of return on plan assets. Differences between the expected return and the actual return on these plan assets and actuarial changes in the defined benefit obligation are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is charged or credited to the profit and loss account over employees’ remaining working lives. In accordance with IFRS-EU transition provisions, the corridor was reset to nil at the date of transition to IFRS-EU.

For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some Bank companies provide post-employment healthcare benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

Other provisions
A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is material using a pre-tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when the Bank is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

INCOME RECOGNITION

Interest
Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of impairment, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the ‘clean fair value’ are included in Net trading income and Valuation results on non-trading derivatives.

Fees and commissions
Fees and commissions are generally recognised as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as income when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third-party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income
The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Bank is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

EXPENSE RECOGNITION

Expenses are recognised in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliable.

Share-based payments
Share-based payment expenses are recognised as the employees provide the service. A corresponding increase in equity is recognised if the services are received in an equity-settled share-based payment transaction. A liability is recognised if the services are acquired in a cash-settled share-based payment transaction. The cost of acquiring the services is expensed as a staff expense. Prior to 2007, ING Bank generally provided equity-settled share-based payment transactions. However, since 2007 ING Bank has generally provided cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date and the fair value of cash-settled share-based payment transactions is measured at each balance sheet date.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

Accounting policies for the consolidated balance sheet and profit and loss account of ING Bank (continued)

FIDUCIARY ACTIVITIES
ING Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

Accounting policies for the consolidated statement of cash flows of ING Bank

The statement of cash flows has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers relates only to transactions involving actual payments or receipts. The Addition to loan loss provisions which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly from the result before tax and is shown separately in the statement of cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted separately for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

Notes to the consolidated balance sheet of ING Bank

amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with central banks	2009	2008
Amounts held at central banks	**10,989**	16,432
Cash and bank balances	**1,613**	1,737
	12,602	18,169

2 AMOUNTS DUE FROM BANKS

Amounts due from banks	Netherlands		International		Total	
	2009	2008	2009	2008	2009	2008
Loans and advances to banks	**9,101**	15,234	**30,641**	25,556	**39,742**	40,790
Cash advances, overdrafts and other balances	**2,550**	4,800	**1,151**	2,942	**3,701**	7,742
	11,651	20,034	**31,792**	28,498	**43,443**	48,532
Loan loss provision			**–46**	–85	**–46**	–85
	11,651	20,034	**31,746**	28,413	**43,397**	48,447

As at 31 December 2009 Amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 2,458 million (2008: EUR 3,005 million), and receivables related to finance lease contracts amounted to EUR 64 million (2008: EUR 100 million).

As at 31 December 2009, the non-subordinated receivables amounted to EUR 43,396 million (2008: EUR 48,443 million) and the subordinated receivables amounted to EUR 1 million (2008: EUR 4 million).

No individual amount due from banks has terms and conditions that materially impact the amount, timing or certainty of the consolidated cash flows of the Bank. For details on significant concentrations see 'Risk management' section.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss	2009	2008
Trading assets	**110,981**	159,843
Non-trading derivatives	**8,610**	10,631
Designated as at fair value through profit and loss	**3,178**	4,548
	122,769	175,022

Trading assets by type	2009	2008
Equity securities	**2,306**	1,851
Debt securities	**25,250**	26,625
Derivatives	**41,450**	71,918
Loans and receivables	**41,975**	59,449
	110,981	159,843

As at 31 December 2009, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 175 million (2008: EUR 1 million) and nil (2008: nil), respectively. As at 31 December 2009, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 325 million (2008: EUR 28 million) and EUR 353 million (2008: EUR 1,904 million) respectively.

As at 31 December 2009, Trading assets included receivables of EUR 40,940 million (2008: EUR 57,968 million) with regard to reverse repurchase transactions.

Notes to the consolidated balance sheet of ING Bank (continued)

Non-trading derivatives by type		
	2009	2008
Derivatives used in		
– fair value hedges	**2,417**	3,771
– cash flow hedges	**4,095**	3,539
– hedges of net investments in foreign operations	**33**	339
Other non-trading derivatives	**2,065**	2,982
	8,610	10,631

Other non-trading derivatives include mainly interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit and loss by type		
	2009	2008
Equity securities	**237**	315
Debt securities	**2,417**	3,596
Loans and receivables	**524**	637
	3,178	4,548

In 2009 there was nil (2008: nil) change in the fair value of loans and receivables designated as at fair value through profit and loss attributable to changes in the credit risk of the financial assets.

4 INVESTMENTS

Investments by type		
	2009	2008
Available-for-sale		
– equity securities	**3,682**	1,863
– debt securities	**88,500**	131,502
	92,182	133,365
Held-to-maturity		
– debt securities	**14,409**	15,440
	14,409	15,440
	106,591	148,805

The fair value of the securities classified as held-to-maturity amounts to EUR 14,809 million as at 31 December 2009 (2008: EUR 15,566 million).

Notes to the consolidated balance sheet of ING Bank (continued)

Changes in investments – available-for-sale and held-to-maturity	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**1,863**	3,627	**131,502**	140,005	**15,440**	16,753	**148,805**	160,385
Additions	**326**	374	**54,757**	96,577		315	**55,083**	97,266
Amortisation			**210**	–166	**–30**	–33	**180**	–199
Transfers and reclassifications	**28**	115	**–23,755**	–1,594	**689**		**–23,038**	–1,479
Changes in the composition of the group and other		2	**–35**				**–35**	2
Changes in unrealised revaluations	**1,634**	–1,603	**7,269**	–5,278			**8,903**	–6,881
Impairments	**–49**	–258	**–1,491**	–2,127			**–1,540**	–2,385
Disposals and redemptions	**–116**	–454	**–82,360**	–94,549	**–1,675**	–1,640	**–84,151**	–96,643
Exchange rate differences	**–4**	60	**2,403**	–1,366	**–15**	45	**2,384**	–1,261
Closing balance	**3,682**	1,863	**88,500**	131,502	**14,409**	15,440	**106,591**	148,805

Included in transfers and reclassifications of available-for-sale and held-to-maturity investments	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
To/from held-to-maturity			**–689**				**–689**	
To/from available-for-sale					**689**		**689**	
To/from loans and advances to customers / amounts due from banks	**11**		**–22,828**	–1,594			**–22,817**	–1,594
To/from Investments in associates	**17**	115					**17**	115
To/from Other assets/Other liabilities			**–238**				**–238**	
	28	115	**–23,755**	–1,594	**689**		**–23,038**	–1,479

Reclassifications to investments held-to-maturity
In 2009 ING Bank reclassified EUR 0.7 billion of available-for-sale investments to held-to-maturity. The reclassification resulted from reduction in market liquidity for these assets; ING Bank has the intent and ability to hold these assets until maturity.

Reclassifications to Loans and advances to customers and Amounts due from banks
Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS as of the third quarter of 2008. At the beginning of the first quarter of 2009 and in the fourth quarter of 2008 ING Bank reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. In 2009 EUR 17,220 million (2008: EUR 1,594 million) was reclassified to Loans and advances to customers and EUR 5,608 million was reclassified to Amounts due from banks. ING Bank identified assets, eligible for reclassification, for which at the reclassification date it had an intent to hold for the foreseeable future.

Notes to the consolidated balance sheet of ING Bank (continued)

Reclassifications to Loans and advances to customers and Amounts due from banks		
	Q1 2009	Q4 2008
As per reclassification date		
Fair value	22,828	1,594
Effective interest rate (weighted average)	2.1% - 11.7%	4.1% - 21%
Expected recoverable cash flows	24,052	1,646
Unrealised fair value losses in shareholders' equity (before tax)	–1,224	–69
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	–79
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	nil
2009		
Carrying value as at 31 December	20,551	1,189
Fair value as at 31 December	20,175	1,184
Unrealised fair value losses in shareholders' equity (before tax) as at 31 December	–902	–67
Effect on shareholders' equity (before tax) if reclassification had not been made	–376	–5
Effect on result (before tax) if reclassification had not been made	nil	nil
Effect on result (before tax) after the reclassification till 31 December (mainly interest income)	629	47
Recognised impairments (before tax)	nil	nil
Recognised provision for credit losses (before tax)	nil	nil
2008		
Carrying value as at 31 December		1,592
Fair value as at 31 December		1,565
Unrealised fair value losses recognised in shareholders' equity (before tax) during the year	–192	–79
Effect on shareholders' equity (before tax) if reclassification had not been made	n/a	–28
Effect on result (before tax) if reclassification had not been made	n/a	nil
Effect on result (before tax) after the reclassification till 31 December (mainly interest income)	n/a	9
Recognised impairments (before tax)	nil	nil
Recognised provision for credit losses (before tax)	n/a	nil
2007		
Unrealised fair value losses recognised in shareholders' equity (before tax) during the year		–20
Recognised impairments (before tax)		nil

Derecognition of available-for-sale debt securities – Transaction with the Dutch State
ING Group and the Dutch government ('State') reached an agreement on an Illiquid Assets Back-Up Facility ('IABF') on 26 January 2009; the transaction closed on 31 March 2009. Under the IABF, ING Bank has transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. This portfolio was included in Available-for-sale debt securities. Reference is made to Note 30 'Related parties'.

In 2008, ING Bank's participation in several associates, including the participation in Equens N.V. of EUR 90 million has decreased below 20%. Consequently these investments have been reclassified from Investments in associates to Investments available-for-sale.

Available-for-sale equity securities – listed and unlisted		
	2009	2008
Listed	3,209	1,418
Unlisted	473	445
	3,682	1,863

Notes to the consolidated balance sheet of ING Bank (continued)

As at 31 December 2009, the balance sheet value included equity securities which were lent in repurchase transactions amounting to nil (2008: nil). As at 31 December 2009, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 6,358 million and EUR 20,664 million respectively (2008: EUR 7,624 million and EUR 33,938 million).

Borrowed equity securities and convertible bonds are not recognised in the balance sheet and amounted to nil as at 31 December 2009 (2008: nil).

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 1,842 million as at 31 December 2009 (2008: EUR 166 million).

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers analysed by type

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Loans to, or guaranteed by, public authorities	**28,149**	16,288	**22,933**	10,099	**51,082**	26,387
Loans secured by mortgages	**164,111**	158,861	**142,415**	145,090	**306,526**	303,951
Loans guaranteed by credit institutions	**468**	295	**9,761**	5,606	**10,229**	5,901
Personal lending	**4,972**	7,158	**14,988**	23,110	**19,960**	30,268
Mortgage backed securities			**17,814**	9,055	**17,814**	9,055
Corporate loans	**45,859**	123,462	**104,657**	101,830	**150,516**	225,292
	243,559	306,064	**312,568**	294,790	**556,127**	600,854
Loan loss provisions	**–1,461**	–761	**–2,892**	–1,765	**–4,353**	–2,526
	242,098	305,303	**309,676**	293,025	**551,774**	598,328

Loans and advances to customers analysed by subordination

	2009	2008
Non-subordinated	**551,359**	598,124
Subordinated	**415**	204
	551,774	598,328

During 2009, certain product features and internal procedures for current accounts were amended. As a result thereof, the balances on these current accounts meet the criteria under IFRS for netting of positive and negative balances per client in the balance sheet. This additional netting resulted in a decrease in Loans and advances to customers and a similar decrease in Customer deposits and other funds on deposit of approximately EUR 73.9 billion.

As at 31 December 2009, Loans and advances to customers included receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 2,409 million (2008: EUR 964 million).

No individual loan or advance has terms and conditions that materially affect the amount timing or certainty of the consolidated cash flows of ING Bank. For details on significant concentrations see ‘Risk management’ section.

Notes to the consolidated balance sheet of ING Bank (continued)

Loans and advances to customers and Amounts due from banks include finance lease receivables, are detailed as follows:

Finance lease receivables

	2009	2008
Maturities of gross investment in finance lease receivables		
– within 1 year	**5,163**	6,363
– more than 1 year but less than 5 years	**9,739**	9,766
– more than 5 years	**6,041**	4,836
	20,943	20,965
Unearned future finance income on finance leases	**–3,783**	–3,614
Net investment in finance leases	**17,160**	17,351
Maturities of net investment in finance lease receivables		
– within 1 year	**4,365**	5,157
– more than 1 year but less than 5 years	**8,088**	7,955
– more than 5 years	**4,707**	4,239
	17,160	17,351
Included in		
– Amounts due from banks	**64**	100
– Loans and advances to customers	**17,096**	17,251
	17,160	17,351

The allowance for uncollectible finance lease receivables included in the loan loss provisions amounted to EUR 161 million as at 31 December 2009 (2008: EUR 88 million).

No individual finance lease receivable has terms and conditions that would materially affect the amount, timing or certainty of consolidated cash flows of the Bank.

Loan loss provisions analysed by type

	Netherlands		International		Total	
	2009	2008	2009	2008	2009	2008
Loans secured by public authorities			**3**	2	**3**	2
Loans secured by mortgages	**290**	167	**1,066**	425	**1,356**	592
Loans guaranteed by credit institutions			**47**	85	**47**	85
Personal lending	**254**	120	**436**	533	**690**	653
Mortgage backed securities			**15**		**15**	
Corporate loans	**917**	474	**1,371**	805	**2,288**	1,279
	1,461	761	**2,938**	1,850	**4,399**	2,611
Included in						
– Amounts due from banks			**46**	85	**46**	85
– Loans and advances to customers	**1,461**	761	**2,892**	1,765	**4,353**	2,526
	1,461	761	**2,938**	1,850	**4,399**	2,611

Changes in the loan loss provisions

	2009	2008
Opening balance	**2,611**	2,001
Changes in the composition of the group	**–3**	2
Write-offs	**–1,217**	–728
Recoveries	**148**	91
Increase in loan loss provisions	**2,973**	1,280
Exchange rate differences	**–48**	–50
Other changes	**–65**	15
Closing balance	**4,399**	2,611

Notes to the consolidated balance sheet of ING Bank (continued)

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2009	Interest held (%)	Fair value of listed invest-ment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	25	284	384	11,474	10,503	309	281
ING Retail Property Fund Australia	29		107	886	479	20	65
ING Real Estate Asia Retail Fund	28		99	723	417	–46	140
ING Industrial Fund Australia	8	61	78	2,265	1,343	344	387
Lion Industrial Trust	10		72	2,374	1,640	–174	729
ING REI Investment DOF B.V.	3		66	2,402	514	–215	266
Lion Properties Fund	5		65	2,766	1,506	–226	1,167
Steadfast Capital Fund II LP	68		56	83		2	6
Appia Group Ltd	29		36	690	566	–641	706
ING Office Fund Australia	2	27	32	1,853	723	277	199
Lion Gables Apartment Fund LP	6		31	1,514	971	–16	254
Lion Value Fund	23		31	263	127	–12	160
ING Nationale-Nederlanden PTE	20		28	155	14	122	44
ING REI Investment REOFN B.V.	32		27	222	139	–53	96
RE Italian Retail Fund	33		25	336	259	–27	44
ING Korea Property Investments	15						
ING European Infrastructure Fund							
Other investments in associates			259				
			1,396				

Other investments in associates represents a large number of associates with an individual balance sheet value of less than EUR 25 million.

Accumulated impairments of EUR 59 million (2008: EUR 46 million) have been recognised.

For the above associates in which the interest held is below 20%, significant influence exists based on the combination of ING Bank’s financial interest for own risk and its role as investment manager. For the above associates in which the interest held is above 50%, control is held by other parties through agreements. ING Bank can exercise significant influence over such investments.

The values presented in the table above could differ from the values presented in the individual annual accounts of the associates, due to the fact that the individual values have been brought in line with ING Bank’s accounting principles.

In general the reporting dates of all material associates are consistent with the reporting date of ING Bank. However, for practical reasons, the reporting date of certain associates differ slightly from the reporting date of ING Bank, but, in any case, the difference between the reporting date of the largest associates and that of ING Bank is no more than three months.

Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

Notes to the consolidated balance sheet of ING Bank (continued)

Investments in associates

2008	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	25	144	372	12,247	11,246	812	589
ING Industrial Fund Australia	18	14	164	2,377	1,033	166	147
Lion Industrial Trust	10		133	2,898	1,528	98	207
Lion Properties Fund	5		125	4,135	1,757	313	771
ING Real Estate Asia Retail Fund	28		121	850	412	57	72
ING Retail Property Fund Australia	29		109	790	412	13	7
ING REI Investment DOF B.V.	4		71	2,679	383	197	212
ING European Infrastructure Fund	25		70	662	409		2
Lion Value Fund	22		68	442	139	7	56
Steadfast Capital Fund II LP	67		47	99		6	3
ING Office Fund Australia	4	25	43	1,750	607	191	70
Lion Gables Apartment Fund LP	6		41	1,735	1,003	36	136
ING REI Investment REOFN B.V.	32		41	768	611	43	95
ING Korea Property Investments	15		37	386	187	28	39
ING RE Asia Value Fund LP	30		33	191	84	4	15
China Opportunity Fund LP	8		27	403	50	15	9
RE Italian Retail Fund	33		26	352	273	36	73
ING Nationale-Nederlanden PTE	20		26	143	8	121	50
Other investments in associates			259				
			1,813				

Changes in investments in associates

	2009	2008
Opening balance	**1,813**	2,010
Additions	**70**	383
Changes in the composition of the group	**–1**	10
Transfers to and from Investments	**–17**	–115
Revaluations	**2**	83
Share of results	**–386**	–182
Dividends received	**–37**	–102
Disposals	**–108**	–140
Impairments	**–2**	–28
Exchange rate differences	**70**	–99
Other changes	**–8**	–7
Closing balance	**1,396**	1,813

In 2009, share of results of EUR –386 million (2008: EUR –182 million) less impairment of EUR –2 million (2008: EUR –28 million) are presented in the profit and loss account in Share of profit from associates for EUR –388 million (2008: EUR –210 million).

7 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2009	2008
Opening balance	**2,884**	3,527
Additions	**114**	295
Transfers to and from Other assets	**295**	–2
Transfers to and from Property in own use		8
Fair value gains/(losses)	**–588**	–350
Disposals	**–648**	–190
Exchange rate differences	**226**	–404
Closing balance	**2,283**	2,884

Notes to the consolidated balance sheet of ING Bank (continued)

The total amount of rental income recognised in profit or loss for the year ended 31 December 2009 was EUR 264 million (2008: EUR 282 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2009 was nil (2008: nil).

The total amount of direct operating expenses (including repairs and maintenance) arising from real estate investments that generated rental income for the year ended 31 December 2009 was EUR 75 million (2008: EUR 57 million). The total amount of direct operating expenses (including repairs and maintenance) arising from real estate investments that did not generate rental income for the year ended 31 December 2009 was EUR 32 million (2008: EUR 29 million).

Real estate investments by year of most recent appraisal by independently qualified valuers (in percentages)

	2009
Most recent appraisal in 2009	99
Most recent appraisal in 2008	0
Most recent appraisal in 2007	0
Most recent appraisal in 2006	0
Most recent appraisal in 2005	1
	100

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2009	2008
Property in own use	1,364	1,447
Equipment	1,212	1,091
Assets subject to operating leases	2,991	3,148
	5,567	5,686

Changes in property in own use

	2009	2008
Opening balance	1,447	1,470
Additions	40	68
Transfers to and from Other assets	–26	–1
Transfers to and from Real estate investments		–8
Depreciation	–27	–36
Revaluations	–49	–5
Impairments	–8	
Reversal of impairments	12	
Disposals	–24	–7
Exchange rate differences	–1	–34
Closing balance	1,364	1,447
Gross carrying amount as at 31 December	2,224	2,277
Accumulated depreciation as at 31 December	–738	–727
Accumulated impairment as at 31 December	–122	–103
Net book value	1,364	1,447
Revaluation surplus		
Opening balance	563	583
Revaluation in year	–71	–20
Closing balance	492	563

The cost or the purchase price amounted to EUR 1,732 million (2008: EUR 1,714 million). Cost less accumulated depreciation and impairments would have been EUR 872 million (2008: EUR 884 million).

Notes to the consolidated balance sheet of ING Bank (continued)

Property in own use by year of most recent appraisal by independently qualified valuers (in percentages)	
	2009
Most recent appraisal in 2009	37
Most recent appraisal in 2008	26
Most recent appraisal in 2007	20
Most recent appraisal in 2006	8
Most recent appraisal in 2005	9
	100

Changes in equipment	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2009	2008	2009	2008	2009	2008
Opening balance	264	216	827	750	1,091	966
Additions	159	190	342	289	501	479
Changes in the composition of the group		4		28		32
Disposals	–12	–2	–29	–15	–41	–17
Depreciation	–129	–113	–209	–205	–338	–318
Impairments		–7		–5		–12
Exchange rate differences	5	–10	1	–18	6	–28
Other changes	6	–14	–13	3	–7	–11
Closing balance	293	264	919	827	1,212	1,091
Gross carrying amount as at 31 December	1,380	1,323	2,667	2,477	4,047	3,800
Accumulated depreciation as at 31 December	–1,087	–1,051	–1,748	–1,645	–2,835	–2,696
Accumulated impairment as at 31 December		–8		–5		–13
Net book value	293	264	919	827	1,212	1,091

Changes in assets under operating leases	Cars		Other leased-out assets		Total	
	2009	2008	2009	2008	2009	2008
Opening balance	3,140	2,884	8	10	3,148	2,894
Additions	1,034	1,401			1,034	1,401
Changes in the composition of the group		174				174
Disposals	–93	–123			–93	–123
Depreciation	–789	–765	–3	–2	–792	–767
Impairments		–2				–2
Exchange rate differences	28	–116			28	–116
Transfer and other changes	–334	–313			–334	–313
Closing balance	2,986	3,140	5	8	2,991	3,148
Gross carrying amount as at 31 December	4,516	4,464	27	28	4,543	4,492
Accumulated depreciation as at 31 December	–1,530	–1,324	–22	–20	–1,552	–1,344
Net book value	2,986	3,140	5	8	2,991	3,148

Depreciation of assets under operating leases is included in the profit and loss account in Other income as a deduction from operating lease income.

Transfer and other changes relates mainly to the transfer of cars under operating lease to Other assets due to the expiration of the lease contract.

No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Bank.

Notes to the consolidated balance sheet of ING Bank (continued)

The Bank leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

Future minimum lease payments by maturity	2009	2008
Within 1 year	**1,094**	1,072
More than 1 year but less than 5 years	**1,893**	2,072
More than 5 years	**4**	4
	2,991	3,148

9 INTANGIBLE ASSETS

Changes in intangible assets	Goodwill		Software		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**1,432**	1,254	**681**	294	**302**	335	**2,415**	1,883
Capitalised expenses			**126**	398			**126**	398
Additions bought	**39**	409	**134**	114	**1**	73	**174**	596
Disposals		–6	**–5**	–1	**–1**		**–6**	–7
Amortisation			**–282**	–103	**–49**	–53	**–331**	–156
Impairments				–27	**–8**		**–8**	–27
Changes in the composition of the group	**3**	2		–2		–2	**3**	–2
Exchange rate differences	**–5**	–216	**3**	–5	**1**	–57	**–1**	–278
Other changes	**–6**	–11	**12**	13	**–1**	6	**5**	8
Closing balance	**1,463**	1,432	**669**	681	**245**	302	**2,377**	2,415
Gross carrying amount as at 31 December	**1,463**	1,432	**1,539**	1,289	**362**	362	**3,364**	3,083
Accumulated amortisation as at 31 December			**–849**	–567	**–109**	–60	**–958**	–627
Accumulated impairments as at 31 December			**–21**	–41	**–8**		**–29**	–41
Net book value	**1,463**	1,432	**669**	681	**245**	302	**2,377**	2,415

Amortisation of software is included in the profit and loss account in Other operating expenses and the amortisation of other intangible assets is included in the profit and loss account in Intangible amortisation and other impairments.

Additions to Goodwill in 2009 mainly relate to the consolidation of 3W Holding B.V. (EUR 26 million) and to the extension of ING Bank's Interhyp share of EUR 7 million.

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes (so called 'reporting units'). Goodwill is allocated to reporting units as follows:

Goodwill allocation to reporting units	2009	2008
Retail Banking - Central Europe	**834**	839
Retail Banking - South West Europe	**49**	49
Retail Banking - Netherlands	**1**	1
ING Direct	**460**	456
Commercial Banking - Leasing & Factoring	**66**	61
Commercial Banking - Real Estate	**39**	11
Commercial Banking - Other	**14**	15
	1,463	1,432

Notes to the consolidated balance sheet of ING Bank (continued)

Goodwill is tested for impairment by comparing the book value of the reporting unit (including goodwill) to the best estimate of the fair value of the reporting unit. As a first step the best estimate of the fair value is determined based on a Sum of the Parts valuation (SOP). If the outcome of the SOP indicates that there is not a significant margin between fair value and book value, a more thorough analysis of the fair value will be performed. The main assumptions in the SOP valuation include forecast results, business growth, discount rates, value of new business, market value surplus, etc. For listed companies the relevant market price is used. The more detailed analysis uses valuation models similar to those of the original valuation of an acquisition, embedded value, peer reviews, etc. The valuation models are validated and include development of the business following the acquisition, the latest management forecasts of income and expenditure and updates of future projections, review of discount rates and terminal growth rates, etc. Peer reviews include analysis of Price/Earnings and Price/Book multiples of comparable listed companies. Assumptions are generally based on past experience, management's best estimate of future developments and, where available, relevant external information. However, the goodwill impairment test as at 31 December 2009, using best estimate assumptions and reasonable likely changes therein, have not resulted in impairment (2008: nil).

10 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale include disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which sale is agreed or highly probable at balance sheet date. For 31 December 2009 this relates mainly to the Swiss and Asian Private Banking business. Reference is made to Note 27 'Companies acquired and companies disposed' for more details.

Assets held for sale	2009
Cash and balances with central banks	183
Amounts due from banks	474
Financial assets at fair value through profit and loss	381
Available-for-sale investments	277
Loans and advances to customers	3,205
Property and equipment	35
Intangible assets	3
Other assets	25
	4,583

Liabilities held for sale	2009
Amounts due to banks	30
Customer deposits and other funds on deposit	4,480
Financial liabilities at fair value through profit and loss	36
Other liabilities	85
	4,631

Cumulative other comprehensive income include EUR 14 million related to Assets held for sale.

11 OTHER ASSETS

Other assets by type	2009	2008
Deferred tax assets	3,158	6,070
Property held for sale	2,473	3,131
Income tax receivable	690	328
Accrued interest and rents	14,699	16,580
Other accrued assets	1,015	729
Pension assets	2,030	1,112
Other receivables	4,715	5,170
	28,780	33,120

Disclosures in respect of deferred tax assets and pension assets are provided in Note 18 'Other liabilities'.

Accrued interest and rents includes EUR 4,859 million (2008: EUR 5,912 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

The total amount of borrowing costs relating to Property held for sale, capitalised in 2009 is EUR 98 million (2008: EUR 115 million).

Notes to the consolidated balance sheet of ING Bank (continued)

Property held for sale		
	2009	2008
Property developed for sale	**909**	630
Property obtained from foreclosures	**125**	91
Property under development	**1,439**	2,410
	2,473	3,131
Gross carrying amount as at 31 December	**3,186**	3,263
Accumulated impairments as at 31 December	**–713**	–132
Net book value	**2,473**	3,131

Notes to the consolidated balance sheet of ING Bank (continued)

EQUITY

12 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2009	2008	2007
Share capital	525	525	525
Share premium	16,542	16,392	9,192
Revaluation reserve	2,329	–3,857	2,105
Currency translation reserve	–241	–475	–18
Other reserves	11,067	10,304	13,707
Shareholders' equity (parent)	30,222	22,889	25,511

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.

As at 31 December 2009 Other reserves included an amount of EUR 645 million (2008: EUR 566 million; 2007: EUR 566 million) related to the former Stichting Regio Bank that cannot be freely distributed.

Share capital

	Preference shares (par value EUR 1.13)				Ordinary shares (par value EUR 1.13)			
	Number x1		Amount in euros		Number x1,000		Amount	
	2009	2008	2009	2008	2009	2008	2009	2008
Authorised share capital	50	50	57	57	1,600,000	1,600,000	1,808	1,808
Unissued share capital	43	43	49	49	1,134,965	1,134,965	1,283	1,283
Issued share capital	7	7	8	8	465,035	465,035	525	525

No shares have been issued during 2009, 2008 or 2007.

Preference shares are presented in the balance sheet under liabilities. Reference is made to Note 18 'Other liabilities'.

Ordinary shares
All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Management Board of ING Bank. The par value of ordinary shares is EUR 1.13.

The authorised ordinary share capital of ING Bank consists of 1,600 million shares of which as at 31 December 2009 465 million have been issued and fully paid.

Dividend restrictions
ING Bank N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Changes in revaluation reserve

2009	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	436	–4,165	–128	–3,857
Unrealised revaluations after taxation	–49	5,702		5,653
Realised gains/losses transferred to profit and loss		877		877
Changes in cash flow hedge reserve			–344	–344
Closing balance	387	2,414	–472	2,329

Notes to the consolidated balance sheet of ING Bank (continued)

Changes in revaluation reserve

2008	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	415	1,262	428	2,105
Unrealised revaluations after taxation	21	–6,950		–6,929
Realised gains/losses transferred to profit and loss		1,523		1,523
Changes in cash flow hedge reserve			–556	–556
Closing balance	436	–4,165	–128	–3,857

Changes in revaluation reserve

2007	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	385	1,255	655	2,295
Unrealised revaluations after taxation	30	345		375
Realised gains/losses transferred to profit and loss		–338		–338
Changes in cash flow hedge reserve			–227	–227
Closing balance	415	1,262	428	2,105

Changes in currency translation reserve

	2009	2008	2007
Opening balance	**–475**	–18	42
Unrealised revaluations after taxation	**–99**	173	300
Exchange rate differences	**333**	–630	–360
Closing balance	**–241**	–475	–18

The unrealised revaluations after taxation relate to changes in the value of hedging instruments that are designated as net investment hedges.

Changes in other reserves

2009	**Retained earnings**	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	**9,610**	**128**		**566**	**10,304**
Result for the year	**684**				**684**
Employee stock options and share plans	**58**				**58**
Other	**70**	**–128**		**79**	**21**
Closing balance	**10,422**			**645**	**11,067**

Changes in other reserves

2008	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	13,072	69		566	13,707
Result for the year	772				772
Dividend	–4,250				–4,250
Employee stock options and share plans	67				67
Other	–51	59			8
Closing balance	9,610	128		566	10,304

Changes in other reserves

2007	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	10,833	45		566	11,444
Result for the year	3,589				3,589
Dividend	–1,300				–1,300
Employee stock options and share plans	61				61
Other	–111	24			–87
Closing balance	13,072	69		566	13,707

Notes to the consolidated balance sheet of ING Bank (continued)

LIABILITIES

13 SUBORDINATED LOANS
Subordinated loans relate to subordinated capital debentures and private loans which may be included in the calculation of the capital ratio.

Subordinated liabilities include EUR 8,057 million (2008: EUR 7,085 million) of loans that qualify as Tier 1 capital. These loans have been placed with ING Bank N.V. by ING Group.

The average interest rate on the subordinated loans is 5.7% (2008: 5.4%). The interest expense during the year 2009 was EUR 981 million (2008: EUR 1,088 million).

14 DEBT SECURITIES IN ISSUE
Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest rate levels, such as certificates of deposit and accepted bills issued by ING Bank, except for subordinated items. Debt securities carried at fair value through profit and loss are separately included in financial liabilities at fair value through profit and loss. ING Bank does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue – maturities	2009	2008
Fixed rate debt securities		
Within 1 year	**64,731**	49,344
More than 1 year but less than 2 years	**922**	2,159
More than 2 years but less than 3 years	**5,735**	999
More than 3 years but less than 4 years	**1,851**	1,615
More than 4 years but less than 5 years	**9,446**	1,261
More than 5 years	**4,989**	3,053
Total fixed rate debt securities	**87,674**	58,431
Floating rate debt securities		
Within 1 year	**10,021**	11,859
More than 1 year but less than 2 years	**5,796**	5,325
More than 2 years but less than 3 years	**1,164**	4,440
More than 3 years but less than 4 years	**1,375**	1,423
More than 4 years but less than 5 years	**1,478**	28
More than 5 years	**1,849**	2,766
Total floating rate debt securities	**21,683**	25,841
Total debt securities	**109,357**	84,272

As of 31 December 2009, ING Bank had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue of EUR 6,983 million (2008: EUR 5,601 million).

ING Bank issued 3 year government guaranteed senior unsecured bonds amounting to USD 6 billion in January 2009. USD 5 billion of the issue was priced at a fixed rate of 80 basis points over mid-swaps. USD 1 billion was priced at a variable rate of 80 basis points over 3 month LIBOR.

ING Bank issued a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond in February 2009. The issue was priced at a fixed rate of 3.375%, 75 basis points over mid-swaps.

ING Bank issued a 5 year USD 2 billion fixed rate government guaranteed senior unsecured bond in March 2009. The issue was priced at a fixed coupon of 3.90%, 145 basis points over USD mid-swaps.

All were issued under the Credit Guarantee Scheme of the State of the Netherlands and are part of ING Bank's regular medium-term funding operations. ING pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme.

Notes to the consolidated balance sheet of ING Bank (continued)

15 AMOUNTS DUE TO BANKS

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities. As at 31 December 2009, liabilities concerning securities sold in repurchase transactions amounted to EUR 17,991 million (2008: EUR 41,336 million).

Amounts due to banks by type

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Non-interest bearing	**1,615**	1,108	**669**	2,482	**2,284**	3,590
Interest bearing	**35,681**	74,580	**46,270**	74,095	**81,951**	148,675
	37,296	75,688	**46,939**	76,577	**84,235**	152,265

16 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2009	2008
Savings accounts	**304,104**	275,079
Credit balances on customer accounts	**111,502**	175,233
Corporate deposits	**53,272**	80,229
Other	**8,724**	7,142
	477,602	537,683

Customer deposits and other funds on deposit by type

	Netherlands		International		Total	
	2009	2008	**2009**	2008	**2009**	2008
Non-interest bearing	**13,541**	14,220	**5,936**	5,330	**19,477**	19,550
Interest bearing	**132,581**	210,627	**325,544**	307,506	**458,125**	518,133
	146,122	224,847	**331,480**	312,836	**477,602**	537,683

During 2009, certain product features and internal procedures for current accounts were amended. As a result thereof, the balances on these current accounts meet the criteria under IFRS for netting of positive and negative balances per client in the balance sheet. This additional netting resulted in a decrease in Loans and advances to customers and a similar decrease in Customer deposits and other funds on deposit of approximately EUR 73.9 billion.

No funds have been entrusted to the Bank by customers on terms other than those prevailing in the normal course of business. As at 31 December 2009, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 7,326 million (2008: EUR 5,759 million).

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

17 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2009	2008
Trading liabilities	**98,245**	152,611
Non-trading derivatives	**16,777**	17,050
Designated as at fair value through profit and loss	**11,474**	14,009
	126,496	183,670

Trading liabilities by type

	2009	2008
Equity securities	**3,052**	3,338
Debt securities	**12,457**	12,448
Funds on deposit	**42,505**	64,463
Derivatives	**40,231**	72,362
	98,245	152,611

As at 31 December 2009, the Funds on deposit include amounts payable of EUR 41,876 million (2008: EUR 63,107 million) with regard to mainly repurchase transactions.

Notes to the consolidated balance sheet of ING Bank (continued)

Non-trading derivatives by type		
	2009	2008
Derivatives used in		
– fair value hedges	**8,420**	8,381
– cash flow hedges	**5,932**	5,467
– hedges of net investments in foreign operations	**168**	264
Other non-trading derivatives	**2,257**	2,938
	16,777	17,050

Designated as at fair value through profit and loss by type		
	2009	2008
Debt securities	**9,396**	9,963
Funds entrusted	**560**	1,972
Subordinated liabilities	**1,518**	1,733
Other		341
	11,474	14,009

In 2009, the change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in the credit risk of that liability is approximately EUR –191 million (2008: approximately EUR 230 million) and EUR 39 million (2008: EUR 208 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves). At 31 December 2009 the fair value of the financial liabilities designated at fair value through profit and loss includes EUR 39 million (2008: EUR 230 million) attributable to own credit risk.

The amount that ING Bank is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 11,444 million (2008: EUR 14,336 million).

18 OTHER LIABILITIES

Other liabilities by type		
	2009	2008
Deferred tax liabilities	**1,499**	2,297
Income tax payable	**762**	458
Pension benefits	**240**	374
Post-employment benefits	**89**	98
Other staff-related liabilities	**385**	214
Other taxation and social security contributions	**849**	992
Accrued interest	**14,775**	15,479
Costs payable	**1,826**	2,541
Reorganisation provision	**490**	551
Other provisions	**575**	551
Prepayments received under property under development	**120**	175
Amounts to be settled	**2,929**	3,751
Other	**2,849**	3,540
	27,388	31,021

Other staff-related liabilities include vacation leave provisions, jubilee provisions and disability/illness provisions.

Other mainly relates to year-end accruals in the normal course of business none of which are individual material.

Deferred taxes are calculated on all temporary differences under the liability method using tax rates applicable to the jurisdictions in which the Bank is liable to taxation.

As at 31 December 2009 Other liabilities includes an amount of EUR 7.91 (2008: EUR 7.91) for seven preference shares with a par value of EUR 1.13 each.

Notes to the consolidated balance sheet of ING Bank (continued)

Changes in deferred tax

	Net liability 2008	**Change through equity**	**Change through net result**	**Changes in the composition of the group**	**Exchange rate differences**	**Other**	**Net liability 2009**
Investments	–3,312	**2,856**	**78**		**–110**	**–25**	**–513**
Financial assets and liabilities at fair value through profit and loss	–17		**–325**		**7**	**2**	**–333**
Depreciation	16				**1**	**1**	**18**
Other provisions	14	**–1**	**–86**	**1**	**3**		**–69**
Receivables	–103		**–71**		**–2**	**–12**	**–188**
Loans and advances to customers	560		**139**	**–28**	**1**	**45**	**717**
Cash flow hedges	–126	**–45**			**–8**	**7**	**–172**
Pension and post-employment benefits	213		**213**				**426**
Unused tax losses carried forward	–932		**–274**	**7**	**31**	**25**	**–1,143**
Other	–86	**–8**	**–378**	**–16**	**–6**	**92**	**–402**
	–3,773	**2,802**	**–704**	**–36**	**–83**	**135**	**–1,659**
Comprising							
– deferred tax liabilities	2,297	**133**	**–199**	**–43**	**17**	**–706**	**1,499**
– deferred tax assets	–6,070	**2,669**	**–505**	**7**	**–100**	**841**	**–3,158**
	–3,773	**2,802**	**–704**	**–36**	**–83**	**135**	**–1,659**

The Change through net result - Other relates mainly to the tax effect on tax losses of foreign branches carried forward.

The Change through equity relating to Investments of EUR 2,856 million (2008: EUR –2,310 million) consists of a deferred tax component of EUR 2,376 million (2008: EUR –3,102 million) relating to Unrealised revaluations and a deferred tax component of EUR 480 million (2008: EUR 792 million) relating to Realised gains/losses transferred to profit and loss.

Changes in deferred tax

	Net liability 2007	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 2008
Investments	–343	–2,310	–661	39	–183	146	–3,312
Financial assets and liabilities at fair value through profit and loss	125	2	–301		–6	163	–17
Depreciation	15				–3	4	16
Other provisions	–129		147		9	–13	14
Receivables	–38		–24		–2	–39	–103
Loans and advances to customers	86		505		–4	–27	560
Cash flow hedges	176	–283	–10		5	–14	–126
Pension and post-employment benefits	40		173				213
Unused tax losses carried forward	–482	–1	–379	–8	30	–92	–932
Other	135	12	–191		–10	–32	–86
	–415	–2,580	–741	31	–164	96	–3,773
Comprising							
– deferred tax liabilities	1,836	–50	377	39	–53	148	2,297
– deferred tax assets	–2,251	–2,530	–1,118	–8	–111	–52	–6,070
	–415	–2,580	–741	31	–164	96	–3,773

Notes to the consolidated balance sheet of ING Bank (continued)

Deferred tax in connection with unused tax losses carried forward		
	2009	2008
Total unused tax losses carried forward	**4,787**	3,698
Unused tax losses carried forward not recognised as a deferred tax asset	**635**	241
Unused tax losses carried forward recognised as a deferred tax asset	**4,152**	3,457
Average tax rate	**27.5%**	26.9%
Deferred tax asset	**1,143**	932

The following tax loss carry forwards and tax credits will expire as follows at 31 December:

Total unused tax losses carried forward analysed by expiry item	No deferred tax asset recognised		Deferred tax asset recognised	
	2009	2008	**2009**	2008
Within 1 year	**20**		**56**	25
More than 1 year but less than 5 years	**177**	17	**255**	385
More than 5 years but less than 10 years	**169**	17	**2,468**	1,943
More than 10 years but less than 20 years	**221**	168	**912**	446
Unlimited	**48**	39	**461**	658
	635	241	**4,152**	3,457

Deferred tax assets are recognised for temporary deductible differences, for tax loss carry forwards and unused tax credits only to the extent that realisation of the related tax benefit is probable.

The deferred tax asset includes balances for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current year or the preceding year. The aggregate amount for the most significant entities where this applies is EUR 1,065 million. Recognition is based on the fact that it is probable that the entity will have taxable profits and /or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

As of 31 December 2009 and 31 December 2008, ING Bank had no significant temporary differences associated with the parent company's investments in subsidiaries, branches and associates and interest in joint ventures as any economic benefit from those investments will not be taxable at parent company level.

Changes in reorganisation provision		
	2009	2008
Opening balance	**551**	583
Changes in the composition of the group		–19
Additions	**382**	148
Interest	**11**	15
Releases	**–43**	–12
Charges	**–423**	–163
Exchange rate differences		–6
Other changes	**12**	5
Closing balance	**490**	551

As at 31 December the provision for reorganisation, of which EUR 291 million relates to termination benefits, mainly related to the reorganisation of Postbank and Postkantoren.

The provision for reorganisation as at 31 December 2008 includes EUR 360 million for the restructuring of the retail business of Postbank and ING Bank.

Notes to the consolidated balance sheet of ING Bank (continued)

Changes in other provisions	Litigation		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**353**	229	**198**	252	**551**	481
Changes in the composition of the group	**4**	–1	**5**		**9**	–1
Additions	**1**	136	**198**	56	**199**	192
Charges	**–102**	–21	**–51**	–96	**–153**	–117
Exchange rate differences	**1**	–5	**1**	–7	**2**	–12
Other changes	**13**	15	**–46**	–7	**–33**	8
Closing balance	**270**	353	**305**	198	**575**	551

In 2009 Other provisions includes the provision for the industry-wide deposit guarantee scheme in the Netherlands due to the bankruptcy of DSB Bank.

In general, Reorganisation and Other provisions are of a short-term nature.

The amounts included in Other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Pension and post-employment benefits

Summary of pension benefits	**2009**	2008	2007	2006	2005
Defined benefit obligation	**9,234**	9,049	9,253	10,061	9,872
Fair value of plan assets	**10,208**	8,670	9,463	9,298	8,253
	–974	379	–210	763	1,619
Unrecognised actuarial gains/(losses)	**–816**	–1,117	260	–262	–998
	–1,790	–738	50	501	621
Presented as					
– Other liabilities	**240**	374	489	752	621
– Other assets	**–2,030**	–1,112	–439	–251	
	–1,790	–738	50	501	621

Summary of post-employment benefits	**2009**	2008	2007	2006	2005
Defined benefit obligation	**86**	97	94	63	194
	86	97	94	63	194
Unrecognised past service costs	**2**	1	2	2	
Unrecognised actuarial gains/(losses)	**1**		1		–13
	89	98	97	65	181
Presented as					
– Other liabilities	**89**	98	97	65	181
	89	98	97	65	181

The Bank maintains defined benefit retirement plans in its major countries of operation. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels.

The Bank provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and discounts on ING products provided to employees and former employees.

Notes to the consolidated balance sheet of ING Bank (continued)

Certain group companies sponsor defined contribution pension plans. The assets of all ING Bank's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in current liabilities.

Actuarial gains and losses related to pensions and post-employment benefits for the year ended 31 December 2009 includes EUR –283 million (2008: EUR 1,678 million; 2007: EUR 481 million; 2006: EUR 278 million) experience loss adjustments for assets and EUR –37 million (2008: EUR 73 million; 2007: EUR 11 million; 2006: EUR 170 million) experience loss adjustments for liabilities.

Changes in defined benefit obligation

	Pension benefits		Post-employment benefits other than pensions	
	2009	2008	**2009**	2008
Opening balance	**9,049**	9,253	**97**	94
Current service cost	**210**	212	**–11**	–3
Interest cost	**504**	502	**5**	5
Participants contributions	**3**	3		
Benefits paid	**–416**	–369	**–1**	–1
Actuarial gains and losses	**–1**	–303	**–2**	2
Past service cost	**20**	77	**–1**	
Changes in the composition of the group and other changes	**–90**	–3		
Effect of curtailment or settlement	**–88**	–134		
Exchange rate differences	**43**	–189	**–1**	
Closing balance	**9,234**	9,049	**86**	97
Relating to				
– funded plans	**9,178**	8,999		
– unfunded plans	**56**	50	**86**	97
	9,234	9,049	**86**	97

The estimated unrecognised past service cost and unrecognised actuarial gains/losses for the defined benefit plans to be amortised to pension and other staff-related liability costs during 2010 are nil and EUR 7 million respectively.

Changes in fair value of plan assets

	Pension benefits	
	2009	2008
Opening balance	**8,670**	9,463
Expected return on plan assets	**546**	565
Employer's contribution	**1,115**	906
Participants contributions	**3**	3
Benefits paid	**–388**	–359
Actuarial gains and losses	**283**	–1,677
Changes in the composition of the group and other changes	**–75**	8
Exchange rate differences	**54**	–239
Closing balance	**10,208**	8,670

The actual return on the plan assets amounted to EUR 829 million (2008: EUR –1,112 million).

No plan assets are expected to be returned to ING Bank during 2010.

Notes to the consolidated balance sheet of ING Bank (continued)

Pension investment strategy
The primary financial objective of ING Employee Benefit Plans (the Plans) is to secure participant retirement benefits. As such, the key objective in the Plans' financial management is to promote stability and, where appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the Plans' portfolio of assets (the Funds') balances the requirement to generate returns with the need to control risk. The asset mix is recognised as the primary mechanism to influence the reward and risk structure of the Funds in an effort to accomplish the Plans' funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolios among industry sectors, geographical areas, interest rate sensitivity, dependence on economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound by precise mandates and are measured against specific benchmarks. Factors considered by the fund managers include, balancing security concentration, investment style, and reliance on particular active investment strategies. The asset mixes of the Funds are reviewed on a regular basis. Generally, the Funds' asset mixes will be rebalanced to the target mixes as individual portfolios approach their minimum or maximum levels.

Categories of plan assets in percentages

	Target allocation	Percentage of plan assets		Weighted average expected long term rate of return	
	2010	**2009**	2008	**2009**	2008
Equity securities	**44**	**42**	32	**7.8**	8.0
Debt securities	**45**	**45**	53	**4.8**	4.6
Other	**11**	**13**	15	**6.3**	6.5
	100	**100**	100	**5.9**	5.9

Equity securities include ING Groep N.V. ordinary shares of EUR 2 million (0.01% of total plan assets) at 31 December 2009 (2008: EUR 4 million, 0.03% of total plan assets). Other includes mainly real estate. Plan assets do not include any real estate or other assets used by the Bank.

Determination of expected return on assets
An important aspect of financial reporting is the assumption used for return on assets (ROA). The ROA is updated at least annually, taking into consideration the Plans' asset allocation, historical returns on the types of assets held in the Funds, and the current economic environment. Based on these factors, it is expected that the Funds' assets will earn an average annual percentage in the long term. This estimate takes into account a reduction for administrative expenses and non-ING investment manager fees paid from the Funds. For estimation purposes, it is assumed the long-term asset mixes will be consistent with the current mixes. Changes in the asset mixes could impact the amount of recognised pension income or expense, the funded status of the Plan, and the need for future cash contributions.

Weighted averages of basic actuarial assumptions in annual % as at 31 December

	Pension benefits		Post-employment benefits other than pensions	
	2009	2008	**2009**	2008
Discount rates	**5.60**	5.70	**4.70**	5.10
Mortality rates	**1.30**	1.60	**1.30**	1.60
Expected rates of salary increases (excluding promotion increases)	**2.70**	2.70	**2.70**	2.70
Medical cost trend rates			**6.10**	6.60
Consumer price inflation	**2.10**	2.10	**2.00**	2.00

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect specific country conditions.

The presented discount rate is the weighted average of the discount rates that are applied in different countries. These rates are based on AA corporate bond yields of the specific countries with durations matching the pension liabilities.

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 3 million as at 31 December 2009 (2008: EUR 3 million) and an increase in the charge for the year of EUR 2.3 million (2008: EUR 0.3 million). A decrease of 1% in the medical cost trend rate for each future year would have resulted in lower defined benefit obligation of EUR 2 million as at 31 December 2009 (2008: EUR 2 million) and a decrease in the charge for the year of EUR 1.2 million (2008: EUR 0.2 million).

Expected cash flows
During 2010 the expected contributions to pension plans are EUR 459 million.

Notes to the consolidated balance sheet of ING Bank (continued)

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid by the plans:

Benefit payments	Pension benefits
2010	**413**
2011	**380**
2012	**324**
2013	**360**
2014	**368**
Years 2015-2019	**1,903**

Additional information to the consolidated balance sheet of ING Bank, amounts in millions of euros, unless stated otherwise

19 ASSETS BY CONTRACTUAL MATURITY

Assets by contractual maturity

2009	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	12,602						12,602
Amounts due from banks	25,598	2,649	4,448	7,733	2,969		43,397
Financial assets at fair value through profit and loss							
– trading assets	39,844	8,316	12,395	28,008	22,418		110,981
– non-trading derivatives	202	66	413	4,160	3,769		8,610
– designated as at fair value through profit and loss	400	167	518	1,135	958		3,178
Investments							
– available-for-sale	2,495	3,091	7,107	45,195	30,611	3,683	92,182
– held-to-maturity	171	475	1,840	10,337	1,586		14,409
Loans and advances to customers	61,449	14,056	31,409	136,569	308,291		551,774
Intangible assets			223	446		1,708	2,377
Assets held for sale	4,524		59				4,583
Other assets	12,186	2,377	6,227	3,648	4,342		28,780
Remaining assets (where maturities are not applicable) (1)						9,246	9,246
Total assets	159,471	31,197	64,639	237,231	374,944	14,637	882,119

(1) Included in remaining assets where maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Amounts presented in this table by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity

2008	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	18,169						18,169
Amounts due from banks	32,620	3,086	5,019	6,299	1,423		48,447
Financial assets at fair value through profit and loss							
– trading assets	52,761	13,871	22,059	36,369	34,783		159,843
– non-trading derivatives	2,177	432	1,208	3,136	3,678		10,631
– designated as at fair value through profit and loss	608	218	603	1,416	1,703		4,548
Investments							
– available-for-sale	4,051	7,314	7,941	56,516	55,680	1,863	133,365
– held-to-maturity	74	139	1,109	10,758	3,360		15,440
Loans and advances to customers	145,332	16,249	29,179	108,509	299,059		598,328
Intangible assets			227	453		1,735	2,415
Other assets	14,581	2,818	4,704	4,743	6,274		33,120
Remaining assets (where maturities are not applicable)						10,383	10,383
Total assets	270,373	44,127	72,049	228,199	405,960	13,981	1,034,689

Additional information to the consolidated balance sheet of ING Bank (continued)

20 LIABILITIES BY CONTRACTUAL MATURITY

As a result of amendments made to IFRS 7 the disclosure on the contractual maturity has been revised for 2009. The amendments affect the disclosure of financial liabilities by contractual maturity for 2009 only as the amendment to IFRS 7 do not require presentation of comparatives. The table below includes all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable will be included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled out. For other derivative liabilities the contractual gross cash flow payable is included. Reference is made to the Liquidity risk paragraph in the 'Risk management' section for a description on how liquidity risk is managed.

Liabilities by contractual maturity

2009	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Adjust-ment	Total
Subordinated loans	16	1	1,090	4,734	15,922	–570	21,193
Debt securities in issue	18,851	36,184	19,717	28,399	6,978	–772	109,357
Amounts due to banks	45,326	15,044	10,131	9,769	3,966	–1	84,235
Customer deposits and other funds on deposit	410,522	28,190	27,315	9,918	1,657		477,602
Financial liabilities at fair value through profit and loss							
– other trading liabilities	41,942	1,891	3,243	7,022	4,376	–460	58,014
– trading derivatives	2,725	3,419	11,235	27,908	12,258	–17,314	40,231
– non-trading derivatives	1,105	1,680	5,868	21,555	8,298	–21,729	16,777
– designated as at fair value through profit and loss	218	616	1,715	5,220	4,047	–342	11,474
Financial liabilities	520,705	87,025	80,314	114,525	57,502	–41,188	818,883
Liabilities held for sale	4,629		2				4,631
Other liabilities	13,023	2,436	7,215	3,193	1,518	3	27,388
Total liabilities	538,357	89,461	87,531	117,718	59,020	–41,185	850,902
Coupon interest due on financial liabilities	4,050	1,463	4,585	11,821	49,781		71,700

The amounts presented in the column Adjustment reconcile the contractual maturity amounts to the balance sheet value.

Liabilities by contractual maturity

2008	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Amounts due to banks	83,456	38,600	17,625	9,454	3,130	152,265
Customer deposits and other funds on deposit	439,543	32,609	49,951	12,843	2,737	537,683
Financial liabilities at fair value through profit and loss						
– trading liabilities	62,251	13,121	16,632	31,009	29,598	152,611
– non-trading derivatives	1,018	526	960	5,898	8,648	17,050
– designated as at fair value through profit and loss	573	833	2,430	5,935	4,238	14,009
Debt securities in issue	25,555	23,787	11,860	17,251	5,819	84,272
Liabilities held for sale						
Other liabilities	16,278	3,397	5,329	4,153	1,864	31,021
Subordinated loans	13	479	61	4,918	16,186	21,657
Total liabilities	628,687	113,352	104,848	91,461	72,220	1,010,568

21 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the 'Risk management' section, ING Bank uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of ING Bank's hedging activities is to optimise the overall cost to the Bank of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities. In addition, hedging activities are undertaken to hedge against the interest rate risk in the mortgage offer period in relation to retail mortgages and to lock-in the interest margin in relation to interest bearing assets and the related funding.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and accounted for according to the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company's detailed accounting policies for these three hedge models are set out in section 'Principles of valuation and determination of results'.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non qualifying hedges are taken to the profit and loss account. However, in certain cases, the Bank mitigates the resultant profit and loss account volatility by designating hedged assets and liabilities at fair value through profit and loss. If hedge accounting is applied under IFRS-EU, it can arise that during the hedge a hedge relationship no longer qualifies for hedge accounting, and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amounts of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk. ING Bank uses credit derivatives to manage its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Bank's fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2009, ING Bank recognised EUR –1,301 million (2008: EUR –5,441 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was offset by EUR 1,181 million (2008: EUR 5,676 million) fair value changes recognised on hedged items. This resulted in EUR –120 million net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2009, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR –6,003 million (2008: EUR –4,610 million), presented in the balance sheet as EUR 2,417 million (2008: EUR 3,771 million) positive fair values under assets and EUR 8,420 million (2008: EUR 8,381 million) negative fair values under liabilities.

ING Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. ING Bank applies the IFRS-EU 'carve-out' to its retail operations in which the net exposure of retail funding (savings and current accounts) and retail lending (mortgages) is hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages using the IFRS-EU provisions.

Additional information to the consolidated balance sheet of ING Bank (continued)

Cash flow hedge accounting
ING Bank's cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows for the respective portfolios form the basis for identifying the notional amount subject to interest rate risk that is designated under cash flow hedge accounting.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest income consistent with the manner in which the forecast cash flows affect net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2009, ING Bank recognised EUR –344 million in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2009 was EUR –644 million (2008: EUR –254 million) gross and EUR –472 million (2008: EUR –128 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes of the underlying derivatives and will be reflected in the profit and loss account under Interest income/ expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 50 years, with the largest concentration in the range of 1 year to 13 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR 2 million (2008: nil) was recognised in the profit and loss account.

As at 31 December 2009, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR –1,837 million (2008: EUR –1,928 million), presented in the balance sheet as EUR 4,095 million (2008: EUR 3,539 million) positive fair values under assets and EUR 5,932 million (2008: EUR 5,467 million) negative fair values under liabilities.

As at 31 December 2009 and 31 December 2008, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and interest expense on non-trading derivatives is EUR 1,780 million (2008: EUR 2,726 million) and EUR 1,624 million (2008: EUR 2,477 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations
ING Bank's net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognised in Shareholders' equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

As at 31 December 2009, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR –135 million (2008: EUR 75 million), presented in the balance sheet as EUR 33 million (2008: EUR 339 million) positive fair values under assets and EUR 168 million (2008: EUR 264 million) negative fair values under liabilities.

As at 31 December 2009, there were EUR 555 million (2008: nil) non-derivatives designated as hedging instruments for net investment hedge accounting purposes.

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2009 on derivatives and non-derivatives designated under net investment hedge accounting was nil (2008: nil).

Additional information to the consolidated balance sheet of ING Bank (continued)

22 MAXIMUM CREDIT EXPOSURE
ING Bank's maximum credit exposure as at 31 December 2009 and 2008 is represented as follows:

Maximum credit exposure

	2009	2008
Cash and balances with central banks	**12,602**	18,169
Amounts due from banks		
– loans and advances to banks	**39,696**	40,705
– cash advances, overdrafts and other balances	**3,701**	7,742
Trading assets		
– debt securities	**25,250**	26,625
– loans and receivables	**41,975**	59,449
– derivatives	**41,450**	71,918
Non-trading derivatives	**8,610**	10,631
Designated as at fair value through profit and loss	**3,178**	4,548
Available-for-sale debt securities	**88,500**	131,502
Held-to-maturity debt securities	**14,409**	15,440
Loans and advances to customers		
– public authorities	**51,079**	26,385
– secured by mortgages	**305,170**	303,359
– guaranteed by credit institutions	**10,229**	5,816
– personal lending	**19,270**	29,615
– mortgage backed securities	**17,799**	9,055
– corporate lending	**148,228**	224,013
Other receivables	**4,715**	5,170
Maximum credit exposure on balance sheet	**835,861**	990,142
Off-balance sheet credit commitments		
– discounted bills - bank	**1**	1
– guarantees - bank	**21,545**	22,391
– irrevocable letters of credit - bank	**12,352**	10,458
– other - bank	**202**	453
– irrevocable facilities	**85,835**	89,081
Maximum credit exposure off balance sheet	**119,935**	122,384
Maximum credit exposure	**955,796**	1,112,526

The maximum credit exposure for relevant items on the balance sheet is the balance sheet carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid.

The manner in which ING Bank manages credit risk and determines credit risk exposures for that purpose is explained in the 'Risk management' section.

Additional information to the consolidated balance sheet of ING Bank (continued)

23 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable consist primarily of interest bearing securities pledged to secure deposits from De Nederlandsche Bank (the Dutch central bank) and other banks and serve to secure margin accounts and are used for other purposes required by law. The assets not freely disposable are as follows:

Assets not freely disposable		
	2009	2008
Investments	**5,656**	6,237
Loans and advances to customers	**31,152**	3,136
Banks	**7,441**	6,890
Other assets	**6,350**	6,437
	50,599	22,700

Loans and advances to customers, not freely disposable, includes the loan to the Dutch State in connection with the Illiquid Assets Back-Up Facility agreement as disclosed in Note 30 'Related parties' and loans that for liquidity purposes have been pledged as collateral in the United States of EUR 7 billion and Germany of EUR 5 billion.

Banks include Amounts due from banks and balances with central banks. ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with the Dutch central bank. In December 2009 the required monthly average was EUR 5,620 million (2008: EUR 5,810 million). As at 31 December 2009 the balance on this reserve was EUR 354 million (2008: EUR 3,529 million).

There are no terms and conditions relating to the collateral represented in the above table which are individually significant.

24 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business the Bank is a party in activities whose risks are not reflected in whole or part in the consolidated financial statements. In response to the needs of its customers, the Bank offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments							
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total 2009**	Total 2008
Contingent liabilities in respect of							
– discounted bills		**1**				**1**	1
– guarantees	**14,492**	**403**	**1,017**	**2,359**	**3,274**	**21,545**	22,391
– irrevocable letters of credit	**5,413**	**4,460**	**1,190**	**757**	**532**	**12,352**	10,458
– other	**112**	**36**	**42**	**12**		**202**	453
	20,017	**4,900**	**2,249**	**3,128**	**3,806**	**34,100**	33,303
Irrevocable facilities	**36,284**	**17,539**	**8,351**	**20,130**	**3,531**	**85,835**	89,081
	56,301	**22,439**	**10,600**	**23,258**	**7,337**	**119,935**	122,384

Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Bank in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, ING Bank has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to a third-party for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. ING Bank's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities include acceptances of bills and are of a short-term nature. Other contingent liabilities also include contingent liabilities resulting from the normal operations of the Real estate business including obligations under development and construction contracts. None of the items included in Other contingent liabilities are individually significant.

Additional information to the consolidated balance sheet of ING Bank (continued)

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Bank's credit risk and interest rate risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers' assets or counter-guarantees by the Central Governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Future rental commitments for operating lease contracts	
2010	**192**
2011	**154**
2012	**146**
2013	**128**
2014	**114**
Years after 2014	**109**

25 SPECIAL PURPOSE ENTITIES AND SECURITISATION
Securitisation
ING Bank as originator
ING Bank enters into synthetic securitisation programmes in order to reduce credit risk on certain assets. In synthetic securitisations, ING Bank enters into a credit default swap with securitisation Special Purpose Entities (SPEs), in relation to which ING Bank purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPEs have in turn hedged their exposure with investors through the issue of credit linked notes or credit linked commercial paper. As a result of these transactions, ING Bank has transferred a substantial part of the credit risk related to these loan portfolios to third-party investors. In general, the third-party investors in securities issued by the SPE have recourse only to the assets of the SPE and not to ING Bank.

After securitisation of these assets ING Bank continues to recognise them on its balance sheet under Loans and advances to customers. These transactions are therefore not off-balance sheet arrangements.

Assets under synthetic securitisation programmes	2009	2008
Loans to small and medium-sized enterprises	**6,583**	8,603
Mortgages	**6,865**	6,101
Total	**13,448**	14,704

ING Bank as sponsor of multi-seller conduit
In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPE. The SPE issues asset-backed commercial paper to the market to fund the purchases. ING Bank, in its role as administrative agent, facilitates these transactions by providing structuring, accounting, funding and operations services.

ING Bank supports the commercial paper programmes by providing the SPE with short-term standby liquidity facilities. These liquidity facilities are intended primarily to cover temporarily disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Bank covers at least some of the credit risk incorporated in these programmes itself (in addition to normal liquidity facilities), and might suffer credit losses as a consequence. Furthermore, under a Programme Wide Credit Enhancement ING Bank guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Bank credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions. The SPE is included in the consolidation of ING Bank. This transaction is therefore not an off-balance sheet arrangement.

The normal non-structured standby liquidity facilities and the structured facilities are reported under irrevocable facilities.

Collateralised debt obligations (CDO)-transactions
Within ING Bank, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralised) by a pool of transferable debt securities. Besides investing in CDOs ING Bank often has different roles in these transactions:
- the arranger of the transaction; ING Bank structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
- collateral manager of the assets in the SPE; ING Bank manages the assets based on strict conditions of the SPEs charter.

ING Bank receives market-rate fees for structuring, asset managing and distributing CDO-securities to investors. The total amount of these fees is not significant.

Additional information to the consolidated balance sheet of ING Bank (continued)

ING Bank as investor
As part of its investment activities, ING Bank invests in securitisations by purchasing notes from securitisation SPEs. For certain own asset securitisation programmes ING Bank acts as a market maker and holds limited positions in this capacity.

Non-cash investments are made by ING Bank by selling credit protection in the market using credit default swaps.

Other entities
ING Bank is also a party to other SPEs used in, for example, structured finance and leasing transactions.

Investment funds
ING Bank as fund manager and investor
ING Bank sets up investment funds for which it acts as a fund manager and sole investor at the inception of the fund. Subsequently, ING Bank will seek third-party investors to invest in the fund, thereby reducing the interest of ING Bank. In general, ING Bank will maintain a small percentage of interest in these funds. These funds are included in the consolidated financial statements of the ING Bank if and when control exists, taking into account both ING Bank's financial interests for own risk and its role as investment manager.

ING Bank as fund manager
ING Bank acts as fund manager for several funds. Fees related to these management activities are charged on an arm's-length basis. In general, as a fund manager ING Bank will hold these funds in a fiduciary capacity. These funds are therefore generally not included in the consolidated financial statements of ING Bank.

26 PRINCIPAL SUBSIDIARIES
The principal subsidiaries of ING Bank N.V. are as follows:

Bank Mendes Gans N.V.	The Netherlands
ING Lease Holding N.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Vastgoed Management Holding B.V.	The Netherlands
Interadvies N.V.	The Netherlands
Nationale-Nederlanden Financiële Diensten B.V.	The Netherlands
ING Commercial Finance B.V.	The Netherlands
Westland Utrecht Hypotheekbank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A.	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	United States of America
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, United States of America, Italy, United Kingdom
ING Bank A.S.	Turkey

Additional information to the consolidated balance sheet of ING Bank (continued)

27 COMPANIES ACQUIRED AND COMPANIES DISPOSED

Goodwill recognised in 2009 amounted to EUR 39 million as disclosed in Note 9 'Intangible assets'. This includes EUR 26 million in relation to the consolidation of 3W Holding B.V as disclosed below. There were no significant acquisitions in 2009.

In August 2009 ING obtained control of its 50% owned joint venture 3W Holding B.V., a real estate development company. ING obtained a majority representation in the Supervisory Board of 3W Holding B.V. and entered into an option agreement that allows ING to acquire the remaining 50%. As a result of obtaining control, 3W Holding B.V. is fully included in the consolidation as of September 2009. Net assets upon consolidation amounted to EUR –21 million. The estimated consideration payable for obtaining the remaining 50% under the option agreement is approximately EUR 5 million. Therefore, goodwill of EUR 26 million is recognised. This goodwill is mainly attributable to operational synergies arising from obtaining control of the professional network of 3W and the future business potential in the southern Netherlands where 3W is active.

	3W Holding B.V.
General	
Date of full consolidation	**1 September 2009**
Estimated purchase consideration payable	**5**
Assets	
Miscellaneous other assets	**51**
Liabilities	
Customer deposits and other funds on deposit	**21**
Miscellaneous other liabilities	**51**
Net assets	**–21**
Goodwill recognised	**26**
Profit since date of full consolidation	**–16**
Income if fully consolidated as of start of year	**–5**
Profit if fully consolidated as of start of year	**–19**

Disposals effective in 2009

In 2009 ING Bank has not disposed any significant company.

Acquisitions and disposals announced and occurring or expected to occur in 2010

In October 2009 ING reached an agreement to sell its Swiss Private Banking business to Julius Baer for a consideration of EUR 344 million (CHF 520 million) in cash. The transaction generates a profit for ING of approximately EUR 70 million which will be recognised upon completion in 2010. A tax benefit of EUR 83 million related to Private Banking Switzerland was recognised in 2009. At the closing date of the sale of Private Banking Switzerland, ING announced a total gain of approximately EUR 150 million. The sale was completed in January 2010. The Swiss Private Banking business is included in the segment Retail Banking.

In October 2009 ING reached an agreement to sell its Asian Private Banking business for a consideration of USD 1,463 million (approximately EUR 1,000 million). The Asia franchise offers private banking services in 11 markets, including Hong Kong, the Philippines and Singapore. The transaction generates a profit for ING of approximately EUR 300 million. The Asian Private Banking business is included in the segment Retail Banking.

The above described disposals will be deconsolidated in 2010 when ING loses control. They qualify as disposal groups held for sale at 31 December 2009 as ING expects to recover the carrying amount principally through the sale transactions. They are available for sale in their immediate condition subject to terms that are usual and customary for sales of such assets and the sales are highly probable.

Additional information to the consolidated balance sheet of ING Bank (continued)

Most significant companies acquired in 2008

	Aconto B.V.	Interhyp AG	Universal Lease Iberia	Total
General				
Date of acquisition	22 April 2008	1 August 2008	1 October 2008	
Percentage of voting shares acquired	100%	99%	100%	
Purchase price				
Purchase price	174	418		592
Cash purchase price	174	418		592
Cash outflow / inflow on acquisition	174	418		592
Assets				
Loans and advances to customers	1,714			1,714
Amounts due from banks	164	43		207
Miscellaneous other assets	21	20	235	276
Liabilities				
Amounts due to banks	1,527			1,527
Customer deposits and other funds on deposit	154		224	378
Miscellaneous other liabilities	44	16	20	80
Net assets	174	47	–9	212
Minority interests				
Net assets acquired	174	47	–9	212
Goodwill recognised [(1)]		371	9	380
Profit since date of acquisition	30	–7		23
Income if acquisition effected at start of year	46	61	42	149
Profit if acquisition effected at start of year	43	–20	–1	22

[(1)] Goodwill recognised in 2008 on immaterial acquisitions was EUR 29 million, resulting in total goodwill recognised in 2008 of EUR 409 million as disclosed in Note 9 'Intangible assets'.

Acquisitions effective in 2008

In April 2008, ING Bank acquired Aconto B.V. from ING Insurance for EUR 174 million. No goodwill was recognised on this acquisition.

In August 2008, ING Bank acquired approximately 97% of Interhyp AG, Germany's largest independent residential mortgage distributor for a total consideration of EUR 418 million. Goodwill of EUR 371 million was recognised on the acquisition and is mainly attributable to the future potential for enhancing ING's distribution platforms in Europe resulting from the acquisition.

In October 2008, ING Bank acquired the Spanish car leasing company Universal Lease Iberia. Goodwill of EUR 9 million was recognised on the acquisition.

Additional information to the consolidated balance sheet of ING Bank (continued)

Most significant companies disposed in 2008

	ING Investment Management Luxemburg	ING Investment Management België	Total
Sales proceeds			
Sales proceeds	42	159	201
Cash proceeds	42	159	201
Cash outflow / inflow on disposal [(1)]	42	159	201
Assets			
Loans and advances to customers	34	27	61
Amounts due from banks	4	74	78
Miscellaneous other assets		6	6
Liabilities			
Miscellaneous other liabilities	27	78	105
Net assets	11	29	40
% disposed	100%	100%	
Net assets disposed	11	29	40
Goodwill at date of disposal [(2)]	31	130	161

[(1)] Cash outflow / inflow on group companies in the cash flow statement includes cash outflows / inflows on individually immaterial disposals in addition to the cash flow presented.
[(2)] The gain/loss on disposal comprises the sales proceed, the net assets disposed, the expenses directly related to the disposal and the realisation of unrealised reserves.

Disposals effective in 2008
In October 2008, ING Bank has sold ING Investment Management Luxemburg and ING Investment Management België to ING Insurance for EUR 201 million.

Additional information to the consolidated balance sheet of ING Bank (continued)

Most significant companies acquired in 2007

	Oyak Bank	Sharebuilder Corporation	Nationale Nederlanden Hypotheek Bedrijf	Total
General				
Date of acquisition	31 December 2007	15 November 2007	25 May 2007	
Percentage of voting shares acquired	100%	100%	100%	
Purchase price				
Purchase price	1,903	152	55	2,110
Costs directly attributable to the acquisition	2	1		3
Cash purchase price	1,905	153	55	2,113
Cash in company acquired	75	12		87
Cash outflow / inflow on acquisition	1,830	141	55	2,026
Assets				
Cash assets	75	12		87
Investments	1,332		90	1,422
Loans and advances to customers	4,824	15	11,388	16,227
Amounts due from banks	508			508
Financial assets at fair value through profit and loss	41	2		43
Intangible assets	236			236
Miscellaneous other assets	474	80	28	582
Liabilities				
Amounts due to banks	632		11,441	12,073
Customer deposits and other funds on deposit	5,369			5,369
Miscellaneous other liabilities	601	51	10	662
Total net assets acquired	888	58	55	1,001
Goodwill recognised (1)	1,015	94		1,109
Profit since date of acquisition		–1	27	26
Income if acquisition effected at start of year		38	78	116
Profit if acquisition effected at start of year (2)	80	–2	46	124

(1) Goodwill recognised in 2007 on immaterial acquisitions was EUR 24 million, resulting in total goodwill recognised in 2007 of EUR 1,133 million as disclosed in Note 9 ‘Intangible assets’.
(2) Estimate of full year profit of acquired company based on local accounting principles.

Acquisitions effective in 2007
In May 2007, ING Bank Netherlands N.V. acquired 100% of Nationale Nederlanden Hypotheek Bedrijf, a Dutch-based mortgage company for an amount of EUR 55 million.

In November 2007, ING acquired 100% of Sharebuilder Corporation, a Seattle-based brokerage company for EUR 152 million, to extend its retail investment products range and geographical spread in the United States. Goodwill of approximately EUR 94 million was recognised on acquisition and is mainly attributable to the operational synergies and to the future business potential resulting from the acquisition. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. No significant adjustments were made in 2008 to amounts recognised provisionally in 2007.

Additional information to the consolidated balance sheet of ING Bank (continued)

In December 2007, ING announced the completion of the acquisition of 100% of the shares in Oyak Bank for an amount of EUR 1,903 million. Oyak Bank is a leading bank in the Turkish market, offering a full range of banking services with a focus on retail banking. Goodwill of EUR 1,015 million was recognised on acquisition and is mainly attributable to the future business potential resulting from the acquisition, as Oyak is a major bank, also offering a platform to distribute insurance, asset management and retirement products, in one of Europe's fastest growing economies. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. All significant intangibles were recognised separately from goodwill and are included in Intangible assets. The profit for the year (before amortisation of the intangibles recognised on purchase accounting) was approximately EUR 80 million, but no profit or loss was included in the ING Group net result over 2007.

Most significant companies disposed in 2007

	ING Trust	ING Regio B.V.	Total
Sales proceeds			
Sales proceeds	25	51	76
Cash proceeds	25	51	76
Cash outflow / inflow on disposal	25	51	76
Assets			
Loans and advances to customers	4	1,156	1,160
Miscellaneous other assets	10	110	120
Liabilities			
Customer deposits and other funds on deposit		2,052	2,052
Miscellaneous other liabilities	–4	–811	–815
Net assets	18	25	43
% disposed	100%	100%	
Net assets disposed	18	25	43

Disposals effective in 2007
In July 2007, ING sold ING Trust to management and Foreman Capital, an independent investment company based in the Netherlands. The sale is part of ING's strategy to focus on its core banking, insurance and asset management businesses.

In July 2007, ING sold its entire shareholding in ING Regio B.V., a subsidiary of Regio Bank N.V. to SNS REAAL for EUR 50.5 million, resulting in a gain of EUR 26 million. This entity conducts most of the business of Regio Bank. The legal entity Regio Bank N.V. itself was not part of the transaction.

28 LEGAL PROCEEDINGS
ING Bank companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company's management is of the opinion that neither it nor any of its subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Company.

Purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING's Perpetual Hybrid Capital Securities. The challenged disclosures primarily relate to ING Group's investments in certain residential mortgage-backed securities.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

On 28 January 2010 ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission's decision regarding ING's restructuring plan. In its appeal, ING contests the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general.

Additional information to the consolidated balance sheet of ING Bank (continued)

29 JOINT VENTURES
Joint ventures are included proportionally in the consolidated financial statements as follows:

Most significant joint ventures					
2009	**Interest held (%)**	**Assets**	**Liabilities**	**Income**	**Expenses**
Postkantoren B.V.	**50**	**147**	**152**	**143**	**141**
		147	**152**	**143**	**141**

Most significant joint ventures					
2008	Interest held (%)	Assets	Liabilities	Income	Expenses
Postkantoren B.V.	50	161	169	226	266
		161	169	226	266

30 RELATED PARTIES
In the normal course of business, the Bank enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an arm's length basis and include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral.

Transactions with joint ventures and associates				
	Joint ventures		Associates	
	2009	2008	**2009**	2008
Receivables	**432**	106	**648**	315
Liabilities	**187**	122	**6**	76
Income received	**90**	9	**115**	170
Expenses paid	**136**	82		

In addition to the transactions with joint ventures and associates, the Bank also enters into transactions with ING Group, ING Insurance and its subsidiaries. The Bank together with ING Insurance forms the ING Group. These transactions vary from financing activities to regular purchases and sales transactions.

Transactions with ING Groep N.V. and ING Verzekeringen N.V.				
	ING Groep N.V.		ING Verzekeringen N.V.	
	2009	2008	**2009**	2008
Receivables	**793**	1,317	**865**	625
Liabilities	**9,154**	8,764	**7,695**	13,616
Income received	**237**	226	**231**	253
Expenses paid	**725**	675	**169**	238

Liabilities to ING Groep N.V. mainly include long term funding. Liabilities to ING Verzekeringen N.V. mainly include short term deposits made by ING Verzekeringen N.V.

In 2009 EUR 2.4 billion (2008: EUR 4.4 billion) ING Bank mortgages were sold through the ING Insurance intermediary sales agents.

In March 2009 ING Insurance and ING Bank agreed to put in place a liquidity facility under which ING Insurance can borrow up to EUR 1.5 billion (USD 2 billion) from ING Bank. The terms of this facility are at arm's length.

Transactions with key management personnel (Management/Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. Transactions with post-employment benefit plans are disclosed in Note 18 'Other liabilities'.

As a result of the change in strategy of ING Groep N.V. the Executive Board of ING Bank N.V. was reduced from eight to six members during 2009 and is now referred to as Management Board. The effective date of this change was 1 June 2009. Before the change the Executive Board of ING Bank N.V. consisted of the same Executive Board members as ING Groep N.V. Three of the Management Board members of ING Bank N.V. are also Executive Board members of ING Groep N.V. The former Executive Board members of ING Bank N.V became Management Board members of ING Verzekeringen N.V.

Additional information to the consolidated balance sheet of ING Bank (continued)

Similar changes were introduced at the same time for ING Verzekeringen N.V. For the year 2009, the total remuneration of the Executive Board of ING Groep N.V. and the Management Boards of ING Bank N.V. and ING Verzekeringen N.V. continued to be borne by ING Groep N.V. Similar to the procedure for the Executive Board of ING Groep N.V. in 2008, the remuneration of the members and former members of the Executive Board, Management Boards and Supervisory Board are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

Key management personnel compensation (Executive Board and Management Boards)

	Executive Board of ING Groep N.V. [1]	Management Boards of ING Bank N.V and ING Verzekeringen N.V. [2]	Total	Total
Amounts in thousands of euros	2009	2009	2009	2008
Base salary and short-term bonus [3]	4,936	2,933	7,869	7,052
Pension costs	935	772	1,707	3,580
Termination benefit		665	665	
Retirement benefit	1,353	1,200	2,553	
Total compensation	7,224	5,570	12,794	10,632

(1) Comprising eight members from 1 January 2009 to 31 May 2009 and 3 members from 1 June 2009 to 31 December 2009.
(2) As of 1 June 2009, excluding three members that are also members of the Executive Board of ING Groep N.V.
(3) Increase in 2009 due to change in composition.

Key management personnel compensation (Supervisory Board)

Amounts in thousands of euros	2009	2008
Base salary and short-term bonus	1,128	986
Total compensation	1,128	986

The disclosures relating to remuneration of the Supervisory Board reflect the amounts relating to ING Group as a whole.

Loans and advances to key management personnel (ING Group as a whole)

	Amount outstanding 31 December		Average interest rate		Repayments	
Amounts in thousands of euros	2009	2008	2009	2008	2009	2008
Executive Board members ING Groep N.V.	380	999	4.6%	4.8%		16
Management Boards members of ING Bank N.V. and ING Verzekeringen N.V.	244	1,342	3.6%	4.4%	933	19
Supervisory Board members	282		8.6%			
Total	906	2,341			933	35

The disclosures relating to key management personnel reflect the amounts relating to ING Group as a whole.

The total remuneration costs amounted to EUR 12.8 million (2008: EUR 10.6 million) for members and former members of the Executive Board and Management Boards and EUR 1.1 million (2008: EUR 1.0 million) for members and former members of the Supervisory Board. The remuneration costs allocated to ING Bank amount to EUR 6.4 million (2008: EUR 5.3 million) for members and former members of the Executive Board and Management Boards and EUR 0.6 million (2008: EUR 0.5 million) for members and former members of the Supervisory Board.

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Transactions with the Dutch State

Illiquid Assets Back-up Facility

ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-Up Facility (‘IABF’) on 26 January 2009. The transaction closed on 31 March 2009. The Facility covers the Alt-A portfolios of ING Direct US, with a par value of approximately EUR 26 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State has become the economic owner. The transaction price remains payable by the Dutch State to ING and will be redeemed over the remaining life. Furthermore, under the IABF ING pays a guarantee fee to the State and receives a funding fee and a management fee. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from its balance sheet and recognised a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that is retained by ING.

Additional information to the consolidated balance sheet of ING Bank (continued)

Under the terms of the transaction as agreed on 26 January 2009, the overall sales proceeds amounted to EUR 19.8 billion. The amortised cost (after prior impairments) at the date of the transaction was also approximately EUR 19.7 billion. The transaction resulted in a profit in the first quarter of 2009 of EUR 45 million after tax (the difference between the sales proceeds and the amortised cost). The fair value under IFRS at the date of the transaction was EUR 13.5 billion.

In order to obtain approval from the European Commission on ING Groep N.V.'s Restructuring Plan (see below), ING agreed in to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion pre-tax, which was recognised as a one-off charge for ING Groep N.V. (as it was not charged to ING Bank N.V.) in the fourth quarter of 2009. The remainder of the IABF as agreed in January 2009, including the transfer price of the securities of 90%, remains unaltered.

The difference between the total sales proceeds and the fair value under IFRS-EU represents a 'Government grant' under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction.

The transaction resulted in a reduction of the negative revaluation -and therefore an increase in equity- of EUR 3.9 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-EU is disclosed in Note 31 'Fair value of financial assets and liabilities'.

European Commission Restructuring Plan

In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. The Restructuring Plan has formally been approved by the European Commission. The main elements of the Restructuring Plan as announced on 26 October 2009 are as follows:

- ING will eliminate double leverage and significantly reduce its balance sheet;
- ING will divest all Insurance and Investment Management activities;
- that in order to receive approval from the European Commission ING needs to divest ING Direct USA by the end of 2013;
- ING will create a new company in the Dutch retail market composed of Interadvies (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail in the Netherlands. This business, once separated, will be divested;
- that ING has agreed not to be a price leader in any EU country for certain retail and SME banking products and will refrain from the acquisition of financial institutions or other businesses that would delay the repayment of the non-voting equity securities. These restrictions will apply for the shorter period of three years or until the non-voting equity securities have been repaid in full to the Dutch State;
- that ING Groep N.V. has agreed with the Dutch State to alter the repayment terms of 50% of the non-voting equity securities;
- that EUR 5 billion of the non-voting equity securities issued by ING Groep N.V. to the Dutch State in November 2008 will be repurchased;
- that additional Illiquid Assets Back-Up Facility payments as part of the overall agreement with the European Commission are to be made to the Dutch State in the form of fee adjustments relating to the Illiquid Assets Back-Up Facility which resulted in a one-off pre-tax charge to ING Groep N.V. of EUR 1.3 billion in the fourth quarter of 2009;
- that ING Groep N.V. launched a EUR 7.5 billion rights issue, in order to finance the repayment of 50% of the non-voting equity securities and to mitigate the capital impact of the additional Illiquid Assets Back-Up Facility payment as part of the overall agreement with the European Commission to the Dutch State of EUR 1.3 billion; and
- ING will execute the Restructuring Plan before the end of 2013.

On 28 January 2010, ING lodged an appeal against specific elements of the European Commission's decision.

Credit Guarantee Scheme

As part of the measures adopted to protect the financial sector, the Dutch State introduced a EUR 200 billion credit guarantee scheme for the issuance of medium term debt instruments by banks (the Credit Guarantee Scheme). ING Bank N.V. issued government guaranteed debt instruments under this Credit Guarantee Scheme ('Government Guaranteed Bonds') as part of its regular medium-term funding operations. The relevant Rules of the Credit Guarantee Scheme promulgate the rules applicable to any issues under the Credit Guarantee Scheme and include information such as scope, denomination, tenor and fees payable by the banks.

ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme. Reference is made to Note 14 'Debt securities in issue'.

Additional information to the consolidated balance sheet of ING Bank (continued)

Other
Following the transactions as disclosed in this note, the Dutch State is a related party of ING. All other transactions between ING and the Dutch State are of a normal business nature and at arm's length.

In the framework of the transactions with the Dutch State disclosed in this note, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million non-voting equity securities of ING Groep N.V., as long as the Illiquid Assets Back-Up Facility is in place or any of the Government Guaranteed Bonds is outstanding (whichever expires last). These arrangements entail that:
- the Dutch State may recommend two candidates (the 'State Nominees') for appointment to the Supervisory Board of ING Groep N.V. Certain decisions of the Supervisory Board require approval of the State Supervisory Board members;
- ING will develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards and submit this to its General Meeting for adoption. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for 'rewards for failure'. The new remuneration policy will, amongst others, include objectives relating to corporate and social responsibility;
- members of the Executive Board will not receive any performance-related payment - either in cash, options, shares or bearer depositary receipts - for the years 2008, 2009 and subsequent years until the adoption of the new remuneration policy mentioned above;
- severance payments to Executive Board members will be limited to a maximum of one year's fixed salary, in line with the Tabaksblat Code;
- ING has undertaken to support the growth of the lending to corporates and consumers (including mortgages) for an amount of EUR 25 billion, on market conforming terms;
- ING agreed to pro-actively use EUR 10 billion of the Dutch Guarantee Scheme over 2009;
- ING has committed itself to maintaining the Dutch payment system PIN on its payment debit cards as long as other market participants, representing a substantial market share, are still making use of this payment system; and
- appointment of the Chief Executive Officer of the Executive Board of ING Groep N.V. requires approval of the State Nominees.

Additional information to the consolidated balance sheet of ING Bank (continued)

31 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the estimated fair values of ING Bank's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of ING Bank.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2009	2008	**2009**	2008
Financial assets				
Cash and balances with central banks	**12,602**	18,169	**12,602**	18,169
Amounts due from banks	**43,506**	48,308	**43,397**	48,447
Financial assets at fair value through profit and loss				
– trading assets	**110,981**	159,843	**110,981**	159,843
– non-trading derivatives	**8,610**	10,631	**8,610**	10,631
– designated as at fair value through profit and loss	**3,178**	4,548	**3,178**	4,548
Investments				
– available-for-sale	**92,182**	133,365	**92,182**	133,365
– held-to-maturity	**14,809**	15,566	**14,409**	15,440
Loans and advances to customers	**551,096**	599,973	**551,774**	598,328
Other assets (1)	**20,429**	22,479	**20,429**	22,479
	857,393	1,012,882	**857,562**	1,011,250
Financial liabilities				
Amounts due to banks	**84,968**	153,375	**84,235**	152,265
Customer deposits and other funds on deposit	**474,916**	537,594	**477,602**	537,683
Debt securities in issue	**108,448**	81,949	**109,357**	84,272
Financial liabilities at fair value through profit and loss				
– trading liabilities	**98,245**	152,611	**98,245**	152,611
– non-trading derivatives	**16,777**	17,050	**16,777**	17,050
– designated as at fair value through profit and loss	**11,474**	14,009	**11,474**	14,009
Other liabilities (2)	**22,379**	25,311	**22,379**	25,311
Subordinated loans	**20,721**	18,378	**21,193**	21,657
	837,928	1,000,277	**841,262**	1,004,858

(1) Other assets do not include (deferred) tax assets, property held for sale, pension assets and deferred charges.
(2) Other liabilities do not include (deferred) tax liabilities, pension liabilities, prepayments received under property under development, share-based payment plans, other provisions and other taxation and social security contributions.

The estimated fair values correspond to the amounts at which the financial instruments at our best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

The following methods and assumptions were used by ING Bank to estimate the fair value of the financial instruments:

Financial assets

Cash and balances with central banks

The carrying amount of cash approximates its fair value.

Amounts due from banks

The fair values of receivables from banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics, similar to Loans and advances to customers described below.

Additional information to the consolidated balance sheet of ING Bank (continued)

Financial assets at fair value through profit and loss and Investments
Derivatives
Derivatives contracts can either be exchange traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments not actively traded, fair values are estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principle techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based upon 'no-arbitrage' principles. These models are commonly used in the banking industry. Inputs to valuation models are determined from observable market data wherever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities
The fair values of public equity securities are based on quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques.

The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities
Fair values for debt securities are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is determined by management based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Certain asset backed securities in the United States are valued using external price sources that are obtained from third party pricing services and brokers. During 2008 the markets for these assets became inactive and as a result, the dispersion between different prices for the same security became significant. Management applies additional processes to select the most appropriate external price, including an internally developed price validation matrix and a process to challenge the price source. The valuation of these portfolios could have been significantly different had different prices been selected.

In order to determine which independent price in the range of prices obtained best represents fair value under IAS 39, ING Bank applies a discounted cash flow model to calculate an indicative fair value. The key input to this model is a discount rate derived from an internal matrix that is used to construct the discount rate per security by applying credit and liquidity spreads relevant to the characteristics of such asset class. The main assumptions in this matrix include:
- a base spread;
- a liquidity risk premium;
- an additional credit spread, based on:
  - seniority in the capital structure - an adjustment is applied to each security based on its position in the capital structure;
  - vintage - an adjustment is applied for underwriting guidelines deteriorating from 2004 to 2007 in combination with differences in home price developments for these vintages.

The spreads are expressed in basis points and reflect the current market characteristics for credit and liquidity.

The indicative fair value obtained through the discounted cash flow model is then used to select the independently obtained price that is closest to the indicative price. In addition, judgment is applied in the event that the resulting indicative fair value is closest to the highest obtained vendor price and that price is a significant outlier compared to other obtained vendor prices. In such cases, the second highest obtained vendor price is deemed the most representative of fair value. The indicative price is not itself used for valuing the security; rather, it is used to select the most appropriate price obtained from independent external sources. As a result, each security in the portfolio is priced based on an external price, without modification by ING Bank.

Loans and receivables
Reference is made to Loans and receivables to customers below.

Additional information to the consolidated balance sheet of ING Bank (continued)

Loans and advances to customers
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings. The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings.

Other assets
The carrying amount of other assets is not materially different from their fair value.

Financial liabilities
Subordinated loans
The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Amounts due to banks
The fair values of payables to banks are generally based on quoted market prices or, if not available, on estimates based on discounting future cash flows using available market interest rates and credit spreads for payables to banks with similar characteristics.

Customer deposits and other funds on deposit
The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair values. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Financial liabilities at fair value through profit and loss
The fair values of securities in the trading portfolio and other liabilities at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit and loss above.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Other liabilities
The other liabilities are stated at their book value which is not materially different than fair value.

Fair value hierarchy
ING Bank has categorised its financial instruments that are measured in the balance sheet at fair value into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based upon quoted prices in an active market (Level 1), valuation techniques with observable parameters (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include for example illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available) and asset backed securities for which there is no active market and a wide dispersion in quoted prices.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on ING Bank’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads.

Additional information to the consolidated balance sheet of ING Bank (continued)

The fair values of the financial instruments carried at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities

2009	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	40,301	70,465	215	110,981
Non-trading derivatives	276	8,327	7	8,610
Financial assets designated at fair value through profit and loss	1,170	1,576	432	3,178
Available-for-sale investments	50,333	40,099	1,750	92,182
	92,080	120,467	2,404	214,951
Liabilities				
Trading liabilities	27,234	70,956	55	98,245
Financial liabilities designated at fair value through profit and loss	3,955	7,184	335	11,474
Non-trading derivatives	363	16,401	13	16,777
	31,552	94,541	403	126,496

Methods applied in determining fair values of financial assets and liabilities

2008	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	72,001	87,021	821	159,843
Non-trading derivatives	966	9,661	4	10,631
Financial assets designated at fair value through profit and loss	1,528	2,715	305	4,548
Available-for-sale investments	60,251	53,199	19,915	133,365
	134,746	152,596	21,045	308,387
Liabilities				
Trading liabilities	69,853	82,402	356	152,611
Financial liabilities designated at fair value through profit and loss	5,591	8,354	64	14,009
Non-trading derivatives	1,933	15,116	1	17,050
	77,377	105,872	421	183,670

Level 1 – Quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation technique supported by observable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those unobservable inputs on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data.

Level 3 – Valuation technique supported by unobservable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. Level 3 Available-for-sale investments include mainly asset backed securities in the US as described above under 'Debt securities'. Level 3 Trading assets, Non-trading derivatives and Assets designated at fair value through profit and loss account and Level 3 Financial liabilities at fair value through profit and loss include financial instruments with different characteristics and nature, which are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable. An instrument in its entirety is classified as valued using significant unobservable inputs if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. More details on the determination of the fair value of these instruments is included above under 'Derivatives', 'Debt securities' and 'Loans and advances to customers'.

Additional information to the consolidated balance sheet of ING Bank (continued)

Revised IFRS 7 (effective 2009)
IFRS 7 'Financial Instruments: Disclosures' was revised in March 2009 when the IASB published the amendment: 'Improving Disclosures about Financial Instruments'. The revised IFRS 7 is applicable as of the 2009 Annual Accounts and requires a disclosure of assets and liabilities at fair value in a three-level hierarchy. ING Bank already provided a disclosure of a three-level hierarchy in its previous years' financial statements as of 2007. Although ING Bank's previous disclosure is conceptually in line with the new requirements in IFRS 7, the specific requirements of IFRS 7 result in a number of differences. As a result, certain financial instruments that were previously classified in the category 'Reference to published price quotations in active markets' (the equivalent of Level 1 in IFRS 7) are classified in Level 2 as of 2009. The 2008 comparatives have been adjusted accordingly, resulting in a reclassification in the 2008 comparatives from Level 1 to Level 2. This mainly relates to derivatives (trading and non-trading) for EUR 34.5 billion (assets) and EUR 34.8 billion (liabilities).

Derivatives
In previous years, certain non-listed derivatives whose fair value is determined using market-quoted rates in a valuation technique (which qualifies as a quoted price under IAS 39) were classified in the category 'Reference to published price quotations in active markets'. This included derivatives for which it is market convention to price these based on a single published reference rate (e.g. a published yield curve in the case of plain vanilla interest rate swaps). Under the revised IFRS 7, only derivatives for which quoted prices are directly available (mainly exchange traded derivatives) are classified in Level 1. Other derivatives are classified in Level 2 or 3.

Other changes (2009 compared to 2008)
As a result of changes in portfolios and/or markets during 2009, the following main changes in the fair value hierarchy occurred:
- Decrease in Level 1 and Level 2 – reclassifications from Available-for-sale investments to Loans and advances and Amounts due from banks: The reclassification in the first quarter from Available-for-sale investments to Loans and advances (EUR 17.2 billion) and Amounts due from banks (EUR 5.6 billion) resulted in a reduction in Level 2 of approximately EUR 22.8 billion. After reclassification to Loans and advances and Amounts due from banks these are no longer recorded at fair value and therefore no longer subject to disclosure in the fair value hierarchy;
- Decrease in Level 3 – derecognition of asset backed securities in the United States: The Illiquid Assets Back-up Facility agreed with the Dutch State resulted in the derecognition of asset backed securities in the United States that were classified in Level 3. As a result of this transaction, financial assets in Level 3 (Available-for-sale investments) decreased by approximately EUR 13.5 billion. This decrease includes the sale proceeds of EUR 19.8 billion and revaluation recognised in equity of EUR 6.3 billion;
- Decrease in Level 3 – reclassification of asset backed securities in the United States to Level 2: During 2009, the pricing transparency and the level of trading activity in the secondary markets for asset backed securities in the United States increased and the price of the securities as provided by the external pricing services converged. Accordingly, in the fourth quarter of 2009, investments in asset backed securities in the United States of approximately EUR 2.8 billion were transferred from Level 3 to Level 2. These assets were transferred into Level 3 during 2008, when the market became inactive and the dispersion between prices for the same security from different prices sources increased significantly;
- Other – Amounts in each of the levels are impacted by changes in the amount and composition of the relevant balance sheet items during the year.

Changes in Level 3 Assets

2009	Trading assets	Non-trading derivatives	Financial assets designated at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	821	4	305	19,915	21,045
Amounts recognised in profit or loss during the year	–70	–1	15	–1,227	–1,283
Revaluation recognised in equity during the year				6,459	6,459
Purchase of assets	164	8	540	573	1,285
Sale of assets	–112		–254	–20,093	–20,459
Maturity/settlement	–41	–4	–116	–1,957	–2,118
Reclassifications	–43		–68	141	30
Transfers into Level 3	1		107	3	111
Transfers out of Level 3	–505		–78	–2,845	–3,428
Changes in the composition of the group			–2		–2
Exchange rate differences			–17	781	764
Closing balance	215	7	432	1,750	2,404

Additional information to the consolidated balance sheet of ING Bank (continued)

Changes in Level 3 Liabilities

2009	Trading liabilities	Non-trading derivatives	Financial liabilities designated at fair value through profit and loss	Total
Opening balance	356	1	64	421
Amounts recognised in profit or loss during the year	–64	1	124	61
Issue of liabilities	57	12	539	608
Early repayment of liabilities	–109	–2	–155	–266
Maturity/settlement	–173		–121	–294
Transfers into Level 3	30	2	174	206
Transfers out of Level 3	–42		–290	–332
Changes in the composition of the group		–1		–1
Closing balance	55	13	335	403

Amounts recognised in profit and loss during the year (Level 3)

2009	Held at balance sheet date	Derecognised during the year	Total
Assets			
Trading assets	–70		–70
Non-trading derivatives	–1		–1
Financial assets designated at fair value through profit and loss	15		15
Available-for-sale investments	–1,233	6	–1,227
	–1,289	6	–1,283
Liabilities			
Trading liabilities	–64		–64
Non-trading derivatives	1		1
Financial liabilities designated at fair value through profit and loss	124		124
	61		61

Sensitivities of fair values in Level 3
Reasonably likely changes in the non observable assumptions used in the valuation of Level 3 assets and liabilities would not have a significant impact on equity and net result, other than explained below for investments in asset backed securities in the United States.

Asset backed securities in the United States
Level 3 assets include EUR 1.7 billion at 31 December 2009 and EUR 18.8 billion at 31 December 2008 for investments in asset backed securities in the United States. The decrease mainly relates to the transfer of Alt-A securities to the Dutch State as part of the Illiquid Asset Back-Up Facility and a transfer to Level 2 as described above. These assets are valued using external price sources that are obtained from third party pricing services and brokers.

During 2008, the trading volumes in the relevant markets reduced significantly and the market became inactive. The dispersion between prices for the same security from different price sources increased significantly. In order to ensure that the most accurate and relevant sources available are used in determining the fair value of these securities, the valuation process was further enhanced during 2008 by using information from additional pricing sources and enhancing the process of selecting the most appropriate price.

Generally up to four different pricing services are utilised. Management carefully reviews the prices obtained in conjunction with other information available, including, where relevant, trades in the market, quotes from brokers and internal evaluations. If the dispersion between different prices for the same securities is limited, a hierarchy exists that ensures consistent selection of the most appropriate price. If the dispersion between different prices for the same security is significant, additional processes are applied to select the most appropriate price, including an internally developed price validation matrix and a process to challenge the external price source.

Additional information to the consolidated balance sheet of ING Bank (continued)

Valuation for these securities is inherently complex and subjective. Although each security in the portfolio is priced based on an external price, without modification by ING Bank, and management is confident that it has selected the most appropriate price in the current market circumstances, the valuation of these portfolios would have been different had different prices been selected. The sensitivity of the valuation in this respect is illustrated as follows:

- had the valuation been based on the highest available market price for each security in these portfolios, the overall valuation would have been approximately 2.8% higher than the valuation applied by ING Bank (31 December 2008: approximately 7.6% higher);
- had the valuation been based on the lowest available market price for each security in these portfolios, the overall valuation would have been approximately 1.6% lower than the valuation applied by ING Bank (31 December 2008: approximately 18.3% lower);
- had the valuation been based on the weighted average available market price for these portfolios, the overall valuation would have been approximately 0.6% higher than the valuation applied by ING Bank (31 December 2008: approximately 6.3% lower).

These are indicators of sensitivity and not alternatives for fair value under IFRS-EU.

Reference is made to the 'Risk management' section with regard to the exposure of these asset backed securities as at 31 December 2009 and 2008 and the impact from these asset backed securities on net result in 2009 and 2008.

Furthermore, the 'Risk management' section provides under Impact of financial crisis a breakdown of the methods applied in determining fair values of pressurised assets.

Notes to the consolidated profit and loss account of ING Bank
amounts in millions of euros, unless stated otherwise

32 INTEREST RESULT

Interest result			
	2009	2008	2007
Interest income on loans	**24,891**	31,088	26,185
Interest income on impaired loans	**24**	–24	–26
Total interest income on loans	**24,915**	31,064	26,159
Interest income on available-for-sale securities	**3,923**	7,448	7,397
Interest income on held-to-maturity securities	**612**	669	736
Interest income on trading portfolio	**40,843**	45,510	32,442
Interest income on non-trading derivatives	**3,936**	7,076	6,190
Other interest income	**6,119**	5,811	3,841
Total interest income	**80,348**	97,578	76,765
Interest expense on deposits by banks	**1,266**	4,856	5,131
Interest expense on customer deposits and other funds on deposit	**10,976**	19,594	18,563
Interest expense on debt securities	**2,344**	3,760	3,556
Interest expense on subordinated loans	**981**	1,088	1,055
Interest on trading liabilities	**40,024**	44,092	29,383
Interest on non-trading derivatives	**4,483**	7,391	6,115
Other interest expense	**7,512**	5,511	3,927
Total interest expense	**67,586**	86,292	67,730
Interest result	**12,762**	11,286	9,035

Interest margin			
in percentages	**2009**	2008	2007
Interest margin	**1.34**	1.09	0.94

In 2009, the decline in average total assets led to a decrease of the interest result amounting to EUR 929 million (in 2008 the growth in average assets led to an increase of the interest result of EUR 811 million; in 2007 the growth in average assets led to an increase of the interest result of EUR 753 million). The increase of the interest margin by 25 basis points led to a increase of the interest result with EUR 2,406 million (in 2008 the increase of the interest margin by 15 basis points led to a increase of the interest result with EUR 1,440 million; in 2007 the decrease of the interest margin by 12 basis points led to a decrease of the interest result with EUR 1,051 million).

Total interest income and total interest expense for items not valued at fair value through profit and loss in 2009 were EUR 35,352 million and EUR 22,618 million respectively (2008: EUR 44,659 million and EUR 34,169 million; 2007: EUR 37,885 million and EUR 31,676 million).

Notes to the consolidated profit and loss account of ING Bank (continued)

33 INVESTMENT INCOME

Investment income	2009	2008	2007
Income from real estate investments	**157**	196	252
Dividend income	**46**	84	70
	203	280	322
Realised gains/losses on disposal of equity securities	**24**	29	330
Impairments of available-for-sale equity securities	**–49**	–258	–17
Realised gains/losses and impairment on equity securities	**–25**	–229	313
Impairments of available-for-sale debt securities	**–1,491**	–2,127	–57
Realised gains/losses on debt securities	**159**	40	138
Realised gains/losses and impairment on debt securities	**–1,332**	–2,087	81
Change in fair value of real estate investments	**–588**	–350	93
Investment income	**–1,742**	–2,386	809

Reference is made to the 'Risk management' section for further information on impairments.

34 NET RESULT ON DISPOSALS OF GROUP COMPANIES

Net result on disposals of group companies	2009	2008
ING Investment Management België		32
ING Investment Management Luxemburg		130
Other	**–13**	
	–13	162

Other relates to net result on disposals of minor group companies that are individually insignificant.

Reference is made to Note 27 'Companies acquired and companies disposed' for more details.

35 COMMISSION INCOME

Gross fee and commission income	2009	2008	2007
Funds transfer	**859**	888	746
Securities business	**780**	891	1,049
Asset management fees	**584**	934	1,140
Brokerage and advisory fees	**317**	256	233
Insurance broking	**188**	175	180
Other	**825**	850	818
	3,553	3,994	4,166

Other include commission fees of EUR 18 million (2008: EUR 21 million; 2007: EUR 26 million) in respect of underwriting syndication loans.

Fee and commission expenses	2009	2008	2007
Funds transfer	**200**	185	144
Securities business	**159**	268	370
Management fees	**24**	169	230
Brokerage and advisory fees	**43**	5	5
Insurance broking		–4	
Other	**449**	476	491
	875	1,099	1,240

Notes to the consolidated profit and loss account of ING Bank (continued)

36 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives			
	2009	2008	2007
Change in fair value of derivatives relating to			
– fair value hedges	**–1,301**	–5,441	887
– cash-flow hedges (ineffective portion)	**–2**		–4
– other non-trading derivatives	**–242**	–19	28
Net result on non-trading derivatives	**–1,545**	–5,460	911
Change in fair value of assets and liabilities (hedged items)	**1,181**	5,676	–841
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	**–557**	127	56
Net valuation results	**–921**	343	126

The Valuation results on assets and liabilities designated at fair value through profit and loss are mainly a result of changes in fair value of financial liabilities, designated at fair value through profit and loss, due to market circumstances; it includes fair value changes on issued debt securities, designated at fair value through profit and loss, including fair value changes attributable to changes in own credit risk as disclosed in Note 17 'Financial liabilities at fair value through profit and loss'.

37 NET TRADING INCOME

Net trading income			
	2009	2008	2007
Securities trading results	**331**	130	–2,147
Foreign exchange transactions results	**–127**	274	401
Derivatives trading results	**814**	–766	2,460
Other	**–185**	–43	26
	833	–405	740

Securities trading results include the results of making markets in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, interest rate derivatives such as swaps, options, futures and forward contracts. Foreign exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses for the year ended 31 December 2009 relating to trading securities still held as at 31 December amounted to EUR 105 million (2008: EUR –245 million; 2007: EUR –140 million).

The majority of the risks involved in security and currency trading is economically hedged with derivatives. Securities trading results are partly off-set by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

38 OTHER INCOME

Other income			
	2009	2008	2007
Net operating lease income	**175**	196	79
Income post offices	**99**	144	148
Income from real estate development projects	**59**	124	95
Other income	**123**	28	258
	456	492	580

Net operating lease income comprises income of EUR 967 million (2008: EUR 962 million; 2007: EUR 803 million), depreciation of EUR 792 million (2008: EUR 766 million; 2007: EUR 724 million) and other operating expenses of nil (2008: nil; 2007: nil).

Notes to the consolidated profit and loss account of ING Bank (continued)

39 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS

Intangible amortisation and (reversals of) impairments	Impairment losses			Reversals of impairments			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Property and equipment	**8**	12	2	**–12**		–14	**–4**	12	–12
Property held for sale (development projects)	**450**	92	36	**–7**	–30	–43	**443**	62	–7
Software and other intangible assets	**8**	27	14				**8**	27	14
(Reversals of) other impairments	**466**	131	52	**–19**	–30	–57	**447**	101	–5
Amortisation of other intangible assets							**49**	53	
							496	154	–5

Impairments on Loans and advances to customers are presented under Addition to loan loss provisions. Impairments on Investments are presented under Investment income. Reference is made to the ‘Risk management’ section for further information on impairments.

Amortisation of intangible assets relates to intangible assets recognised as part of companies acquired. Until 2007, these were classified in Other operating expenses. The comparatives for 2007 have been amended to reflect the revised presentation. There is no impact on Total expenses.

The impairments on Property held for sale (development projects) are recognised on a large number of Real Estate development projects in Europe, Australia (Waterfront City project) and the US. Circumstances that have led to these impairments are unfavourable economic circumstances in all regions that have resulted into lower expected sales prices, changes in strategy of ING Real Estate Development whereby certain projects are not developed further and operational inefficiencies in a limited number of projects.

40 STAFF EXPENSES

Staff expenses	**2009**	2008	2007
Salaries	**3,555**	3,815	3,646
Pension and other staff-related benefit costs	**178**	105	159
Social security costs	**510**	516	466
Share-based compensation arrangements	**58**	75	71
External employees	**660**	1,056	668
Education	**57**	105	81
Other staff costs	**225**	316	330
	5,243	5,988	5,421

Share-based compensation arrangements includes EUR 33 million (2008: EUR 55 million; 2007: EUR 62 million) relating to equity-settled share-based payment arrangements and EUR 25 million (2008: EUR 20 million; 2007: EUR 9 million) relating to cash-settled share-based payment arrangements.

Notes to the consolidated profit and loss account of ING Bank (continued)

Pension and other staff-related benefit costs

	Pension benefits			Post-employment benefits other than pensions			Other			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Current service cost	**210**	212	253	**–11**	–3	10	**–24**	9	–20	**175**	218	243
Past service cost	**20**	77	–62	**–1**					–1	**19**	77	–63
Interest cost	**504**	502	466	**5**	5	3	**7**	7	7	**516**	514	476
Expected return on assets	**–546**	–565	–542				**1**	4		**–545**	–561	–542
Amortisation of unrecognised past service costs			3	**–1**						**–1**		3
Amortisation of unrecognised actuarial (gains)/losses	**20**	–28	22	**1**			**5**	2	3	**26**	–26	25
Effect of curtailment or other settlement	**–88**	–140	–25							**–88**	–140	–25
Other							**15**	–21		**15**	–21	
Defined benefit plans	**120**	58	115	**–7**	2	13	**4**	1	–11	**117**	61	117
Defined contribution plans										**61**	44	42
										178	105	159

Stock option and share plans

ING Group has granted option rights on ING Groep N.V. shares and conditional rights on depositary receipts (share awards) for ING shares to a number of senior executives of the Bank (members of the Management Board, general managers and other officers nominated by the Management Board), to a considerable number of employees of ING Bank. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Bank, is to attract, retain and motivate senior executives and staff.

ING Group holds its own shares in order to fulfil its obligations with regard to the existing stock option plan and to hedge the position risk of the options concerned (so-called delta hedge). As at 31 December 2009 35,178,086 own shares (2008: 32,367,870) were held in connection with the option plan compared to 122,334,486 options outstanding (2008: 87,263,381). As a result the granted option rights were (delta) hedged, taking into account the following parameters: strike price, opening price, zero coupon interest rate, dividend yield, expected volatility and employee behaviour. The hedge is rebalanced regularly at predetermined points in time.

In December 2009 ING Groep N.V. completed a rights issue of EUR 7.5 billion. Outstanding stock options and share awards have been amended to reflect the impact of the rights issue through an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares. As a result, exercise prices and outstanding share options and share awards have been amended through an adjustment factor of approximately 1.3.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will in the future be funded by either by cash or shares from the delta hedge portfolio at the discretion of the holder. On 31 March 2008, 1,786,762 own shares were issued in relation to the vesting of share plans.

ING Groep N.V. has bought 7,260,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were bought on the open market between 19 March and 23 March 2009 at an average price of EUR 4.24 per share.

ING Groep N.V. has sold 5,230,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were sold on the open market between 2 June and 5 June 2009 at an average price of EUR 7.80 per share.

ING Groep N.V. has sold 1,450,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were sold on the open market on 1 September and 2 September 2009 at an average price of EUR 10.53 per share.

In connection with the rights issue, ING has sold 34.3 million rights it received on (depositary receipts for) shares held in the delta hedge portfolio, which is used to hedge employee options. The rights were sold through private placements at an average price of EUR 1.85 per right. ING used the proceeds to partially fund the purchase of 10.4 million (depositary receipts for) shares at a price of EUR 6.55 per share. These transactions were executed in order to maintain ING's economic position in the delta hedge book.

Notes to the consolidated profit and loss account of ING Bank (continued)

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a certain continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Groep N.V. shares at the date on which the options are granted.

The entitlement to the share awards for ING Group shares is granted conditionally. If the participant remains in employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2009 no shares (2008: 211,049) have been granted to the members of the Executive Board of ING Group, Management Boards of ING Bank and Insurance and 6,273,467 shares (2008: 3,380,706) have been granted to senior management and other employees. As per 31 December 2009 the share awards includes of 10,810,687 share awards (2008: 5,719,281) relating to equity-settled share-based payment arrangements and 3,842,986 share awards (2008: 2,072,728) relating to cash-settled share-based payment arrangements.

Every year, the ING Group Executive Board will decide to whether the option and share schemes are to be continued and, if so, to what extent.

Included in the tables below are the disclosures relating to ING Bank whereas the information above relates to ING Group as a whole.

Changes in option rights outstanding [(1)]

	Options outstanding (in numbers)			Weighted average exercise price (in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**52,906,156**	43,505,026	42,380,873	**26.36**	27.24	26.03
Granted	**7,714,884**	8,867,259	6,589,163	**3.97**	21.98	32.12
Exercised and transferred	**–329,607**	2,314,913	–3,563,679	**27.44**	24.65	19.71
Forfeited	**–2,583,773**	–1,781,042	–1,901,331	**28.42**	29.08	25.82
Rights issue	**17,035,619**					
Expired	**–1,350,115**			**32.55**		
Closing balance	**73,393,164**	52,906,156	43,505,026	**17.95**	26.36	27.24

(1) 2008 and 2007 reflect original numbers and amounts, not restated for the rights issue adjustment factor.

As per 31 December 2009 the options outstanding includes of 60,021,388 options (2008: 43,879,197 options) relating to equity-settled share-based payment arrangements and 13,371,776 options (2008: 9,026,959 options) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised in 2009 is EUR 8.57 (2008: EUR 24.07).

Changes in option rights non-vested [(1)]

	Options non-vested (in numbers)			Weighted average grant date fair value (in euros)		
	2009	2008	2007	**2009**	2008	2007
Opening balance	**22,346,408**	20,568,406	20,539,578	**6.03**	5.66	4.60
Granted	**7,714,884**	8,867,259	6,589,163	**2.55**	5.27	6.57
Vested and transferred	**–6,660,929**	–5,832,798	–5,007,617	**6.48**	3.84	5.11
Forfeited	**–1,250,537**	–1,256,459	–1,552,718	**5.83**	5.65	5.72
Rights issue	**6,693,646**					
Closing balance	**28,843,472**	22,346,408	20,568,406	**3.61**	6.03	5.66

(1) 2008 and 2007 reflect original numbers and amounts, not restated for the rights issue adjustment factor.

Summary of stock options outstanding and exercisable

2009 Range of exercise price in euros	**Options outstanding as at 31 December 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 5.00	**9,608,665**	**8.36**	**2.87**			
5.00 – 10.00	**4,589,702**	**3.60**	**9.49**	**4,291,165**	**3.18**	**9.54**
10.00 – 15.00	**5,521,311**	**3.45**	**14.26**	**5,337,300**	**3.27**	**14.26**
15.00 – 20.00	**20,113,278**	**6.19**	**17.33**	**9,423,479**	**4.55**	**17.80**
20.00 – 25.00	**19,166,534**	**3.59**	**23.23**	**11,852,191**	**1.71**	**22.39**
25.00 – 30.00	**14,393,674**	**4.17**	**25.94**	**13,645,557**	**4.00**	**25.97**
	73,393,164			**44,549,692**		

Notes to the consolidated profit and loss account of ING Bank (continued)

Summary of stock options outstanding and exercisable [1]						
2008 Range of exercise price in euros	Options outstanding as at 31 December 2008	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2008	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 15.00	3,530,132	4.18	12.48	3,530,132	4.18	12.48
15.00 – 20.00	4,681,998	5.00	18.68	4,514,361	4.83	18.68
20.00 – 25.00	15,581,336	7.70	22.47	7,628,862	6.13	23.21
25.00 – 30.00	11,484,480	2.85	28.57	10,823,077	2.45	28.76
30.00 – 35.00	13,579,594	7.73	32.45	14,700	2.16	32.29
35.00 – 40.00	4,048,616	2.11	35.58	4,048,616	2.11	35.58
	52,906,156			30,559,748		

[1] 2008 reflect original numbers and amounts, not restated for the rights issue adjustment factor.

The aggregate intrinsic value of options outstanding and exercisable as at 31 December 2009 was EUR 39 million and nil respectively.

As at 31 December 2009 total unrecognised compensation costs related to stock options amounted to EUR 36 million (2008: EUR 56 million; 2007: EUR 40 million). These costs are expected to be recognised over a weighted average period of 1.5 years (2008: 1.8 years; 2007: 1.8 years).

The fair value of options granted is recognised as an expense under personnel expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined by using a Monte Carlo Simulation. This model takes the risk free interest rate into account (ranging from 2.64% to 4.62%), as well as the expected life of the options granted (from 4.5 year to 8 years), the exercise price, the current share price (EUR 2.90 - EUR 26.05), the expected volatility of the certificates of ING Group shares (24.57% - 83.5%) and the expected dividend yield (0.94% to 8.99%).

The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

Due to timing differences in granting option rights and buying shares to hedge them, an equity difference can occur if shares are purchased at a different price than the exercise price of the options. However, ING Group does not intentionally create a position and occurring positions are closed as soon as possible. If option rights expire, the results on the (sale of) shares which were bought to hedge these option rights are either debited or credited to Shareholders' equity.

41 OTHER OPERATING EXPENSES

Other operating expenses	2009	2008	2007
Depreciation of property and equipment	**365**	354	322
Amortisation of software	**282**	103	123
Computer costs	**637**	733	661
Office expenses	**679**	687	627
Travel and accommodation expenses	**99**	163	153
Advertising and public relations	**539**	833	806
External advisory fees	**399**	459	490
Postal charges	**111**	130	113
Addition/(releases) of provision for reorganisations and relocations	**339**	136	435
Other	**1,003**	624	867
	4,453	4,222	4,597

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 161 million (2008: EUR 166 million; 2007: EUR 151 million). Other operating expenses also includes the expenses related to the industry-wide deposit guarantee scheme in the Netherlands due to the bankruptcy of DSB Bank and premiums for deposit guarantee schemes in other countries.

For Addition/(releases) of provision for reorganisations and relocations reference is made to the disclosure on the reorganisation provision in Note 18 'Other liabilities'.

Notes to the consolidated profit and loss account of ING Bank (continued)

No individual operating lease has terms and conditions that materially affect the amount, timing or certainly of the consolidated cash flows of ING Bank.

42 TAXATION

Taxation by type

	Netherlands			International			Total		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Current taxation	**237**	–248	36	**424**	819	673	**661**	571	709
Deferred taxation	**–481**	–183	18	**–223**	–558	26	**–704**	–741	44
	–244	–431	54	**201**	261	699	**–43**	–170	753

Reconciliation of the weighted average statutory income tax rate to ING Bank's effective income tax rate

	2009	2008	2007
Result before taxation	**500**	533	4,454
Weighted average statutory tax rate	**6.1%**	8.4%	29.6%
Weighted average statutory tax amount	**30**	45	1,318
Associates exemption	**–8**	46	–14
Other income not subject to tax	**–242**	–161	–326
Expenses not deductible for tax purposes	**25**	95	73
Impact on deferred tax from change in tax rates			–6
Deferred tax benefit from previously unrecognised amounts	**–32**		–57
Current tax benefit from previously unrecognised amounts			–205
Write down/reversal of deferred tax assets	**236**	44	8
Other adjustment to prior periods	**–52**	–239	–38
Effective tax amount	**–43**	–170	753
Effective tax rate	**–8.7%**	–31.9%	16.9%

The weighted average statutory tax rate slightly decreased in 2009 compared to 2008 and remains low. This is caused by the fact that a relative large part of the losses was incurred in high tax jurisdictions.

The weighted average statutory tax rate decreased significantly in 2008 compared to 2007 caused by a small positive result in combination with losses in 2008 in high tax jurisdictions.

The lower effective tax rate in 2009 is mainly caused by tax exempt income only partly offset by a reduction of the carrying value of deferred tax assets.

In 2008 the effective tax rate of –31.9% is the result of a tax benefit of EUR 170 million on a profit before taxation of EUR 533 million. The main explanation for this is the releases of tax provisions.

Segment reporting

amounts in millions of euros, unless stated otherwise

43 OPERATING SEGMENTS

ING Bank has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of ING Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The identification of ING Bank's reportable segments has not changed as a result of the adoption of IFRS 8.

ING Bank's operating segments relate to the internal segmentation by business lines. These include the business lines: Retail Banking, ING Direct and Commercial Banking. Until 2008, the operating segment Commercial Banking was named Wholesale Banking. The content of this segment remained unchanged Other mainly includes items not directly attributable to the business lines.

Each business line is headed by a member of the Management Board. The Management Board sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Management Board.

The accounting policies of the operating segments are the same as those described under Accounting policies for the consolidated balance sheet and profit and loss account. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff or on the basis of income and/or assets of the segment.

The Corporate Line Banking is included in Other. This is not a separate reportable segment as it does not qualify as an operating segment that engages in business activities from which it may earn revenue and incur expenses.

Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in. ING Group's policy is that equity held locally must be invested notionally at the local risk-free rate. The Corporate Line charges business units for the income they make on the book equity invested. Business units receive a benefit equivalent to the risk free euro rate on the economic capital they employ. Consequently, the results of the businesses as disclosed are the local results after Group overhead charges, while the investment returns on equity are based on the risk free euro rate on economic capital.

ING Bank evaluates the results of its operating segments using financial performance measures called underlying result. Underlying result defined as result under IFRS excluding the impact of divestments and special items. The information presented in this note is in line with the information presented to the Management Board.

The following table specifies the main sources of income of each of the segments.

Specification of the main sources of income of each of the segments

Segment	Main source of income
Retail Banking	Income from retail and private banking activities. The main products offered are savings accounts and mortgages.
ING Direct	Income from direct retail banking activities. The main products offered are savings accounts and mortgages.
Commercial Banking	Income from wholesale banking activities. A full range of products is offered, from cash management to corporate finance. Commercial Banking also includes ING Real Estate.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

Segment reporting (continued)

Operating segments					
2009	Retail Banking	ING Direct	Commercial Banking	Other	Total
Underlying income					
– Net interest result	5,738	3,136	3,820	68	12,762
– Commission income	1,331	167	1,185	–5	2,678
– Total investment and other income	170	–1,541	–318	–189	–1,878
Total underlying income	7,239	1,762	4,687	–126	13,562
Underlying expenses					
– Operating expenses	4,708	1,663	2,782	313	9,466
– Addition to loan loss provisions	997	765	1,211		2,973
Underlying expenses	5,705	2,428	3,993	313	12,439
Underlying result before taxation	1,534	–666	694	–439	1,123
Taxation	328	–252	186	–121	141
Minority interests	17	1	–159		–141
Underlying net result	1,189	–415	667	–318	1,123

Impairments on investments are presented within Investment income, which is part of Total underlying income. In 2009, total impairments of EUR 1,540 million are included in the following segments: nil in Retail Banking, EUR 1,393 million in ING Direct, EUR 130 million in Commercial Banking and EUR 17 million in Other.

Reconciliation between IFRS and Underlying income, expenses and net result			
2009	Income	Expenses	Net result
Underlying	13,562	12,439	1,123
Special items	103	726	–439
IFRS as applied by ING Bank	13,665	13,165	684

Special items in 2009 reflects mainly the net impact of transaction result on the Illiquid Asset Back-up Facility and restructuring costs.

Segment reporting (continued)

Operating segments

2008	Retail Banking	ING Direct	Commercial Banking	Other	Total
Underlying income					
– Net interest result	5,556	2,518	3,240	–28	11,286
– Commission income	1,535	150	1,213	–3	2,895
– Total investment and other income	308	–1,790	–346	–176	–2,004
Total underlying income	7,399	878	4,107	–207	12,177
Underlying expenditure					
– Operating expenses	5,307	1,720	2,902	134	10,063
– Addition to loan loss provisions	401	283	596		1,280
Underlying expenses	5,708	2,003	3,498	134	11,343
Underlying result before taxation	1,691	–1,125	609	–341	834
Taxation	355	–394	193	–290	–136
Minority interests	36	2	–107		–69
Underlying net result	1,300	–733	523	–51	1,039

Impairments on investments are presented within Investment income, which is part of Total underlying income. In 2008, total impairments of EUR 2,385 million are included in the following segments: EUR 4 million in Retail Banking, EUR 1,891 million in ING Direct, EUR 267 million in Commercial Banking and EUR 223 million in Other.

Reconciliation between IFRS and Underlying income, expenses and net result

2008	Income	Expenses	Net result
Underlying	12,177	11,343	1,039
Special items		301	–267
IFRS as applied by ING Bank	12,177	11,644	772

Special items in 2008 relate to the combining of ING Bank and Postbank and the unwinding of Postkantoren.

Operating segments

2007	Retail Banking	ING Direct	Commercial Banking	Other	Total
Underlying income					
– Net interest result	5,379	1,932	1,748	2	9,061
– Commission income	1,591	98	1,235	2	2,926
– Total investment and other income	486	166	1,818	147	2,617
Total underlying income	7,456	2,196	4,801	151	14,604
Underlying expenditure					
– Operating expenses	4,854	1,599	2,884	230	9,567
– Addition to loan loss provisions	199	68	–142		125
Underlying expenses	5,053	1,667	2,742	230	9,692
Underlying result before taxation	2,403	529	2,059	–79	4,912
Taxation	532	105	262	–32	867
Minority interests	44		68		112
Underlying net result	1,827	424	1,729	–47	3,933

Segment reporting (continued)

Reconciliation between IFRS and Underlying income, expenses and net result			
2007	Income	Expenses	Net result
Underlying	14,604	9,692	3,933
Divestments	32		26
Special items	–44	446	–370
IFRS as applied by ING Bank	14,592	10,138	3,589

Special items in 2007 relate to the restructuring of Oyak Bank and the combining of ING Bank and Postbank.

Interest income (external) and interest expense (external) breakdown by business lines					
2009	**Retail Banking**	**ING Direct**	**Commercial Banking**	**Other**	**Total**
Interest income	**16,412**	**10,532**	**52,051**	**1,353**	**80,348**
Interest expense	**8,903**	**7,451**	**48,743**	**2,489**	**67,586**
	7,509	**3,081**	**3,308**	**–1,136**	**12,762**

Interest income (external) and interest expense (external) breakdown by business lines					
2008	Retail Banking	ING Direct	Commercial Banking	Other	Total
Interest income	15,754	13,293	67,834	697	97,578
Interest expense	12,792	10,501	60,855	2,144	86,292
	2,962	2,792	6,979	–1,447	11,286

Interest income (external) and interest expense (external) breakdown by business lines					
2007	Retail Banking	ING Direct	Commercial Banking	Other	Total
Interest income	15,068	12,040	49,753	–96	76,765
Interest expense	12,442	9,963	43,583	1,742	67,730
	2,626	2,077	6,170	–1,838	9,035

44 INFORMATION ON GEOGRAPHICAL AREAS

ING Bank's three business lines operate in seven main geographical areas: the Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. The Netherlands is ING Bank's country of domicile. Geographical distribution of income is based on the origin of revenue.

A geographical area is a distinguishable component of the Bank engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

Geographical areas										
2009	**Nether-lands**	**Bel-gium**	**Rest of Europe**	**North Ame-rica**	**Latin Ame-rica**	**Asia**	**Aus-tralia**	**Other**	**Elimi-nations**	**Total**
Total income	**4,778**	**2,894**	**5,073**	**–129**	**229**	**733**	**88**		**–1**	**13,665**
Total assets	**450,618**	**145,856**	**305,036**	**153,804**	**12,167**	**35,218**	**33,687**	**134**	**–254,401**	**882,119**

Geographical areas										
2008	Nether-lands	Bel-gium	Rest of Europe	North Ame-rica	Latin Ame-rica	Asia	Aus-tralia	Other	Elimi-nations	Total
Total income	4,196	2,596	4,816	–332	52	683	167		–1	12,177
Total assets	664,225	164,249	417,118	154,124	20,060	50,277	28,692	108	–464,164	1,034,689

Segment reporting (continued)

Geographical areas

2007	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	5,443	2,665	4,080	1,182	278	586	358			14,592
Total assets	546,306	168,774	351,448	162,101	15,112	39,458	29,102	102	–318,290	994,113

Notes to the consolidated statement of cash flows of ING Bank

amounts in millions of euros, unless stated otherwise

45 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or disposed of is presented in Note 27 ‘Companies acquired and companies disposed’.

46 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid			
	2009	2008	2007
Interest received	**82,231**	95,489	73,734
Interest paid	**–68,288**	–82,916	–65,025
	13,943	12,573	8,709
Dividend received	**82**	181	127
Dividend paid		–4,250	–1,300

47 CASH AND CASH EQUIVALENTS

Cash and cash equivalents			
	2009	2008	2007
Treasury bills and other eligible bills	**3,181**	7,009	4,130
Amounts from/due to banks	**2,387**	2,217	–33,348
Cash and balances with central banks	**12,602**	18,169	9,829
Cash and cash equivalents at end of year	**18,170**	27,395	–19,389

Treasury bills and other eligible bills included in cash and cash equivalents			
	2009	2008	2007
Treasury bills and other eligible bills included in trading assets	**2,283**	2,770	1,806
Treasury bills and other eligible bills included in available-for-sale investments	**898**	4,239	2,324
	3,181	7,009	4,130

Amounts due to/from banks			
	2009	2008	2007
Included in cash and cash equivalents			
– amounts due to banks	**–12,334**	–13,738	–42,154
– amounts due from banks	**14,721**	15,955	8,806
	2,387	2,217	–33,348
Not included in cash and cash equivalents			
– amounts due to banks	**–71,901**	–138,527	–124,818
– amounts due from banks	**28,676**	32,492	40,069
	–43,225	–106,035	–84,749
Included in balance sheet			
– amounts due to banks	**–84,235**	–152,265	–166,972
– amounts due from banks	**43,397**	48,447	48,875
	–40,838	–103,818	–118,097

Cash and cash equivalents include amounts due to/from banks with a term of less than three months from/to the date on which they were acquired.

ING Bank’s Risk management (including liquidity) is explained in the ‘Risk management’ section.

Risk management

amounts in millions of euros, unless stated otherwise

STRUCTURE OF RISK MANAGEMENT SECTION

- Risk Management in 2009
- Introduction
  - Risk Governance
  - Risk Profile
  - Credit risks
  - Market risks
  - Liquidity risk
- Non-financial Risks
  - Operational risks
  - Compliance risk
- Model Disclosures

RISK MANAGEMENT IN 2009

Taking measured risks is part of ING Banks's business. As a financial services company active in banking and investments, ING Bank is naturally exposed to a variety of risks. To ensure measured risk-taking ING Bank has integrated risk management in its daily business activities and strategic planning. Risk Management assists with the formulation of risk appetite, strategies, policies and limits and provides a review, oversight and support function throughout the Bank on risk-related issues. The main financial risks ING Bank is exposed to are credit risk (including transfer risk), market risk (including interest rate, equity, real estate, and foreign exchange risks) and liquidity risk. In addition, ING Bank is exposed to non-financial risks, e.g. operational and compliance risks. The way ING Bank manages these risks on a day-to-day basis is described in this risk management section.

During 2009 the focus remained on risk mitigation and de-leveraging. However a number of upgrades to methodologies were realised as well, and based on the experiences from the past two years more effort was put in stress testing. Besides the regularly performed stress tests, stress testing was also used for the mid-term planning. Furthermore the economic capital model for credit risk is being updated and to bring it more in line with the regulatory capital framework which excludes diversification benefits. The updated model will be implemented in 2010.The risk appetite framework was revised as well and better aligned with the capital management targets for the capital ratios. Lastly, the most notable change in terms of risk governance during 2009 was the creation of the Risk Committee. The Risk Committee is a sub-committee of the Supervisory Board, dedicated to risk governance, risk policies and risk appetite setting.

MARKET DEVELOPMENTS 2009

After the turmoil on the financial markets during 2008, the financial markets improved considerably during 2009, with the exception of direct and indirect Real Estate investments. The volatility levels came down sharply, with volatility levels at year end 2009 similar to the levels in the first half of 2008. Throughout the world the prices of most major asset classes recovered strongly. Equity markets went up significantly: year on year the S&P 500 increased 23% and the Dutch Amsterdam Exchange Index (AEX) increased 36%. Real Estate prices remained under pressure, however. At 31 December 2009 the S&P Case-Shiller Index, the most prominent Real Estate index in the United States, was 3% lower than at the end of 2008. In December 2009, the price index of Dutch owner-occupied residential real estate, as reported by Statistics Netherlands (CBS) and the Dutch Land Registry Office ('Kadaster'), was 5.3% lower than in December 2008. This decline pertained to all types of residential real estate and to all Dutch provinces. Furthermore, after the credit spread widening during 2008, the credit spreads in the financial and corporate sector narrowed in 2009, both in the US and in Europe. Both in the US and Europe short term interest rates decreased further during 2009, with the exception of the 3 month T-bill which remained at a near zero level. Long term interest rates increased in the US, but in Europe they decreased slightly compared to year end 2008.

Risk mitigation

Anticipating a further downturn in the markets in 2009, ING took additional actions to reduce risk across major asset classes. First, the de-risking activities that started in 2008, were continued and increased during 2009. Second, de-leveraging helped reduce risk via reduction of the bank balance sheet. Finally, the Back to Basics initiative further reduced risk through the sale of businesses in order to focus more on ING's core activities and markets.

Risk management (continued)

The activities for the bank balance sheet reduction were already started in 2008 (EUR 41 billion), but during 2009 the bank balance sheet was further reduced by EUR 153 billion, and as such the reduction target of EUR 108 billion was reached. Balance sheet reduction was also notable in the Available-for-Sale (AFS) portfolio which reduced by EUR 41 billion in 2009. The reduction was realised through maturing bonds and pre-payments, but also due to reclassifications out of this category to loans and receivables. EUR 22.8 billion of AFS exposure was reclassified to loans and receivables. EUR 13.3 billion of this reclassification is related to ABS securities, and EUR 9.5 billion relates to covered bond exposures. This reclassification was done in January 2009. In January 2009 ING entered into an Illiquid Assets Back-Up Facility with the Dutch State. This agreement resulted in a derecognition of AFS exposure of EUR 13.5 billion. In ING Direct the investment portfolio was reduced and more emphasis was placed on own originated assets. Next to the fact that ING's revaluation reserve improved significantly during 2009, ING is now also less sensitive for revaluation reserve changes. The combination of a reduced balance sheet and improved IFRS equity made the asset leverage improve from 35.3 at 31 December 2008 to 27.8 at 31 December 2009.

Focus during the year was also on containment of risk weighted assets (RWA). Credit migration due to downgrades of counterparties resulted in higher risk weights for assets, leading to higher required capital. In order to mitigate the RWA increase several de-risking steps were taken. The first major step was taken at the start of the year when ING and the Dutch state entered into the Illiquid Asset Back-Up Facility (IABF) term sheet. The IABF covers ING's Alt-A residential mortgage backed securities (RMBS) portfolio. Through this transaction the Dutch State became the economic owner of 80% of the Alt-A RMBS portfolio. This transaction was concluded at 90% of the par value per year end 2008. Par value of the portfolio was approximately EUR 26 billion at that point in time. ING remains exposed to 20% of the result of the Alt-A RMBS portfolios, as well as the legal owner of 100% of the securities. As such the transaction significantly reduced the uncertainty regarding the impact on ING of any future losses in the portfolio. In addition, as a result of the IABF, 80% of the Alt-A RMBS portfolios was derecognised from ING's balance sheet under IFRS. Therefore, 80% of the negative revaluation reserve on the securities was reversed, resulting in an increase of EUR 3.9 billion (after tax) in Shareholders' equity. The transaction also reduced ING's risk weighted assets by approximately EUR 13 billion.

Second, additional mitigation of the RWA migration was done by further reducing the RMBS portfolio, for example via the sale of US Prime RMBS trades during the fourth quarter. ING Direct sold 27 US prime RMBS with an amortised cost value of EUR 0.8 billion. The sale resulted in a pre-tax loss of EUR 83 million. The remaining US prime RMBS portfolio within ING Direct has a market value of EUR 0.9 billion and is fully investment grade rated. These and other management actions resulted in a RWA reduction during 2009 of EUR 11 billion, reducing them from EUR 343 billion at year end 2008 to EUR 332 billion at year end 2009.

During 2009, ING lowered, in its new production of Dutch mortgage loans, the share of mortgages with non-standard debt capacity calculations or high Loan to Value (LTV) ratios.

A more detailed disclosure of outstanding risk factors facing ING and the financial industry is given in the Risk Factor section in the Additional Information part of the Annual Report ING Groep N.V.

Impact of financial crisis

Impact on pressurised asset classes

As a result of the fact that some markets remained distressed throughout 2009 ING Bank incurred negative revaluations on its investment portfolio, which impacted shareholders' equity. Furthermore, ING Bank incurred impairments, fair value changes and trading losses, which impacted its profit and loss account (P&L).

The table below shows the exposures and negative revaluations and losses taken on US sub-prime and US Alt-A residential mortgage backed securities (RMBS), Collateralised Debt Obligations (CDOs) and Collateralised Loan Obligations (CLOs), and Collateralised Mortgage Backed Securities (CMBS) during 2009.

US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS exposures, revaluations and losses

	31 December 2009	Change in 2009			31 December 2008	
	Fair value	**Revaluation through equity (pre-tax)**	**Write-downs through P&L (pre-tax)**	**Other changes**	Fair value	Revaluation through equity (pre-tax)
US Subprime RMBS	**60**	**125**	**–160**	**–9**	104	–131
US Alt-A RMBS	**2,627**	**6,093**	**–1,245**	**–18,947**	16,726	–6,270
CDOs/CLOs	**856**	**19**	**–1**	**788**	50	–93
CMBS	**2,556**	**139**		**–222**	2,639	–427
Total	**6,099**	**6,376**	**–1,406**	**–18,390**	19,519	–6,921

Risk management (continued)

- ING Bank's total EUR 60 million exposure to US sub-prime assets relates to non originated loans acquired as investments in RMBS and represents 0.01% of total assets. At 31 December 2009 approximately 21% of ING Bank's US sub-prime portfolio was rated A or higher. ING Bank does not originate sub-prime mortgages. (Residential) mortgages that are not classified as sub-prime are the vast majority of the total mortgage backed securities (MBS).
- ING Bank's total US Alt-A RMBS exposure at 31 December 2009 was EUR 2.6 billion. About 26% of this portfolio was A rated or higher. ING's Available-for-Sale Alt-A investments are measured at fair value in the balance sheet. The significant reduction in exposure as indicated by 'Other changes' is primarily due to the Illiquid Asset Back-Up Facility. The substantial amount of the negative pre-tax revaluation reserve in equity is mainly a result of the decline of market prices in illiquid markets. Under applicable accounting standards, impairments on debt securities are triggered by credit events only. Upon impairment, the full unrealised revaluation on the impaired security (including the amount attributable to market illiquidity) is recognised in the profit and loss account. The amount of impairments recognised in the profit and loss statement is principally a reflection of an illiquid market and occurred credit events.
- Net investments in CDOs/CLOs at 31 December 2009 were 0.1% of total assets. The vast majority of the CDOs/CLOs has investment grade corporate credit as underlying assets Other changes includes purchases and sales of CDOs/CLOs, as well as foreign currency effects.
- The CMBS portfolio had a market value of EUR 2.6 billion at 31 December 2009 (2008: EUR 2.6 billion). The current fair value is 90% of original purchase price. Improvements in the portfolio were mainly visible in the super senior and AAA tranches.

Of the EUR 6.1 billion exposure on US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS EUR 3.4 billion is measured at fair value (with the revaluation recognised in equity, except impairments on these trades going through P&L). At 31 December 2009 the fair value of US Subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS was as provided in the tables below, where the following split is made:
Level 1 – Quoted prices in active markets
Level 2 – Valuation technique supported by observable inputs
Level 3 – Valuation technique supported by unobservable inputs.
An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 31 'Fair value of financial assets and liabilities'.

Fair value of US subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS

2009	Level 1	Level 2	Level 3	Total
US Subprime RMBS		16	44	60
US Alt-A RMBS		2,051	576	2,627
CDOs/CLOs	214	126	32	372
CMBS	123	203	18	344
Total	337	2,396	670	3,403

Fair value of US subprime RMBS, US Alt-A RMBS, CDOs/CLOs and CMBS

2008	Level 1	Level 2	Level 3	Total
US Subprime RMBS		26	78	104
US Alt-A RMBS		234	16,133	16,367
CDOs/CLOs	–93	109	34	50
CMBS	137	1,904	42	2,083
Total	44	2,273	16,287	18,604

Impact on Real Estate
By the end of 2009 ING Bank's total exposure to Real Estate was EUR 7.0 billion (2008: EUR 8.9 billion) of which EUR 3.3 billion (2008: 4.9 billion) is in the accounting class fair value through profit and loss. In 2009, ING recorded EUR 1,687 million pre-tax negative revaluations and impairments. ING's Real Estate portfolio has high occupancy rates and is diversified over sectors and regions, but is clearly affected by the ongoing negative Real Estate markets throughout the world.

Impact on Equity securities – available for sale
Direct equity exposure at 31 December 2009 was EUR 3.2 billion (listed) and EUR 0.5 billion (non-listed). During 2009 ING recognised EUR 49 million of pre-tax impairments on equity exposure. ING generally decides to impair a listed equity security based on two broad guidelines: when the fair value of the security is below 75% of the cost price or when the market price of the security is below the cost price for longer than six months.

Impact on counterparty risk
The impact on counterparties for 2009 is limited mainly to the collapse of the DSB Bank in the Netherlands. The DSB Bank was covered by the Dutch Deposit Guarantee scheme, and as such ING as a participant in the scheme is obliged to contribute to cover the claims from deposit holders. Under the scheme deposits upto an amount of EUR 100.000 per person, meeting definitions of the scheme, are guaranteed.

Impact on Liquidity profile
Due to the financial crisis liquidity became scarce and central banks around the world provided funding to prevent the interbank market drying up. Throughout the year ING's liquidity position remained within internally set limits. ING Bank has a favourable funding profile as the majority of the funding stems from client deposits.

Impact on loan loss provisioning
ING's loan book consists mainly of corporate loans and mortgages. The loan book continues to perform well despite increases in risk cost over the year. The additions to ING Bank loan loss provisions were EUR 2,973 million or 102 basis points of average credit risk weighted assets (compared to net additions of EUR 1,280 million or 48 basis points in 2008). During the first half of 2009, the larger part of the risk costs were visible in the Commercial Bank; in the Structured Finance and Real Estate portfolios. During the second half of 2009, risk costs in the Commercial Bank came down due to less incidents and closing of several restructurings. The risk costs in the second half of 2009 were negatively impacted, however, by the distress in the Mid Corporate and SME sector in the home markets Netherlands and Belgium. The risk costs in the mortgage portfolio in the home markets were moderate as there were no material increases in arrears and default levels during 2009. ING Direct risk costs were impacted by the US housing market.

Ongoing changes in the regulatory environment
After the turmoil in the financial markets over the last couple of years and the need for governments to provide aid to financial institutions, financial institutions have been under more scrutiny from the public, supervisors and regulators. During 2009 several proposals were made to change regulations governing financial institutions. These revised regulations are intended to make sure that a crisis in the financial system can be avoided in the future. To accomplish this regulations focus primarily at the following issues:

- More stringently aligning risk taking with the capital position of the financial institutions (revised Basel II for Banks). The revised Basel II proposal narrows the definition of core Tier 1 and Tier 1 capital, and introduces a new definition for a leverage ratio that should become part of Pillar 1 of the Basel framework. The Basel Committee has also issued a proposal for new liquidity requirements.
  Apart from the above mentioned proposals, another aim is to reduce 'pro-cyclicality', to avoid that banks would be required to increase their capital in bad times when it is most scarce. Lastly, there is the proposal to introduce additional capital requirements for counterparty credit risk.
  The Basel II proposals are still in consultation phase, and the benchmarks and limits remain to be specified after a series of quantitative impact studies have been performed.
- Separate from but in line with the revised Basel II proposal, on a country level local regulators are becoming more stringent on the maximum credit risk bank subsidiaries and branches are allowed to run on their parents. This leads to a new phenomenon of so-called trapped pools of liquidity, i.e. excess liquidity in a country can not merely be transferred (unsecured) to a central Treasury in another country.

The following paragraphs provide a high level overview of the risk management governance and risk profile from an ING Bank perspective. This is followed by a more detailed overview, split into the different risk types (credit, market, liquidity, operational and compliance risk) for ING Bank. The section concludes with disclosures on models for Economic Capital (EC).

INTRODUCTION
To ensure measured risk-taking throughout the organisation, ING Bank operates through a comprehensive risk management framework. This ensures the identification, measurement and control of risks at all levels of the organisation so that ING Bank's financial strength is safeguarded.

The mission of ING Bank's risk management function is to build a sustainable competitive advantage by fully integrating risk management into daily business activities and strategic planning. This mission is fully embedded in ING Bank's business processes.

Risk management (continued)

The following principles support this objective:
- Products and portfolios are structured, underwritten, priced, approved and managed appropriately and compliance with internal and external rules and guidelines is monitored;
- ING Bank's risk profile is transparent, managed to avoid surprises, and is consistent with delegated authorities;
- Delegated authorities are consistent with the overall Bank strategy and risk appetite;
- Transparent communication to internal and external stakeholders on risk management and value creation.

RISK GOVERNANCE

ING's risk management framework is based on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite as defined by the ING Group Executive Board (and ratified by the Supervisory Board) and is cascaded throughout ING Bank. This concept provides a clear allocation of responsibilities for the ownership and management of risk, to avoid overlaps and/or gaps in risk governance. Business line management and the regional and local managers have primary responsibility for the day-to-day management of risk and form the first line of defence. The risk management function, both at corporate and regional/local level, belongs to the second line of defence and has the primary responsibility to align risk taking with strategic planning e.g. in limit setting. Risk managers in the business lines have a functional reporting line to the Corporate Risk General Managers described below. The internal audit function provides an ongoing independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defence.

Risk Management Function

The risk management function is embedded in all levels of the ING organisation.

Chief Risk Officer

The Chief Risk Officer (CRO), who is a member of the ING Group Executive Board, bears primary overall responsibility for the Bank risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's Bank risk profile is consistent with its financial resources and the risk appetite defined by the ING Group Executive Board. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the ING organisation.

Bank Risk Organisation

The organisation chart below illustrates the functional reporting lines within the ING Bank risk organisation.

The risk organisation is structured independently from the business lines and is organised through four risk departments:
- Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Bank;
- Corporate Market Risk Management (CMRM) is responsible for the market risk and liquidity risk management of ING Bank;
- Corporate Operational Risk Management (CORM) is responsible for the operational risk management of ING Bank;
- Group Compliance Risk Management (GCRM) is responsible for (i) identifying, assessing, monitoring and reporting on the compliance risks faced by ING, (ii) supporting and advising management on fulfilling its compliance responsibilities, and (iii) advising employees on their (personal) compliance obligations.

The heads of these departments (Corporate Risk General Managers) report to the CRO and bear direct responsibility for risk (mitigating) decisions at ING Bank level. The Corporate Risk General Managers and the CRO are responsible for the harmonisation and standardisation of risk management practices.

In addition two staff departments report to the CRO:

- The Risk Integration and Analytics department is responsible for inter-risk aggregation processes and for providing group-wide risk information to the CRO and ING Group Executive Board;
- The Model Validation department. This department carries out periodic model validations of all material risk models used by ING. To ensure independence from the business and the other risk departments, the head of this department reports directly to the CRO.

Risk Committees

The risk committees described below are also part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the ING Group Executive Board and have an advisory role to the CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective Corporate Risk General Managers are represented on each committee (except for the Operational and Residual Risk Committee where the business is not represented).

- ING Group Credit Committee – Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Group. The GCCP meets on a monthly basis;
- ING Group Credit Committee – Transaction Approval (GCCTA): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCCTA meets twice a week;
- ING Group Investment Committee (GIC): Discusses and approves investment proposals for ING Real Estate. The GIC meets on a monthly basis;
- Asset and Liability Committee ING Bank (ALCO Bank): Discusses and approves the overall risk profile of all ING Bank's market risks that occur in its Commercial Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency for ING Bank. ALCO Bank meets on a monthly basis;
- Operational and Residual Risk Committee (ORRC): Discusses and approves issues related to Methods, Models and Parameters related to Operational risk, Business risk, inter-risk diversification and consistency across risk types and businesses. The committee meets at least twice a year.

In addition, the Finance and Risk Committee (F&RC) is a platform for the CRO and the CFO, along with their respective direct reports, to discuss and decide on issues that relate to both the finance and risk domains.

ING Bank uses risk assessment and risk measurement to guide decision making. As a result, the quality of risk models is important. The governance process for approval of risk models, methods and parameters ensures business and regulatory requirements, via a clear assignment of responsibility and accountability.

Board level risk oversight

ING Bank has a two-tier board structure consisting of the Bank Management Board and the Supervisory Board; both tiers play an important role in managing and monitoring the risk management framework.

- The Bank Management Board is responsible for managing risks associated with the activities of ING Bank. As ING Bank is a 100% subsidiary of ING Groep N.V. ('ING'), its strategic planning and risk management are to observe the frameworks set by ING; in addition, some of its strategic planning and risk management functions, reporting lines and reports are shared with or integrated into those of ING. At the highest level of the ING organisation, there are board committees which oversee risk taking of ING in its entirety, including ING Bank and which have ultimate approval authority. Taking into account the foregoing, the Management Board's responsibilities include ensuring that internal risk management and control systems are effective and that ING Bank complies with relevant legislation and regulations. On a regular basis, the Management Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board. On a quarterly basis, the Management Board reports on the Bank's risk profile versus its risk appetite to the Audit Committee, explaining changes in the risk profile.
- The Supervisory Board is responsible for supervising the policy of the Management Board, the general course of affairs of the Company and its business (including its financial policies and corporate structure). The Supervisory Board has several sub-committees, related to specific topics. Of these, two sub-committees are relevant for the risk management organisation and risk reporting, which are:
  - The Audit Committee, which assists the Supervisory Board in reviewing and assessing ING's major risk exposures and the operation of internal risk management and control systems, as well as policies and procedures regarding compliance with applicable laws and regulations.
  - The Risk Committee, which assists the Supervisory Board on matters related to risk governance, risk policies and risk appetite setting. The committee was established in 2009. It reports in the Supervisory Board on the main risk issues within ING Bank.
  - Committee membership is organised such that specific business know-how and expertise relating to the activities of ING and ING Bank and the subject matter of the committees is available. The CRO attends the meetings of the Audit Committee and the Risk Committee.

Risk management (continued)

The CRO makes sure that the boards are well informed and understand ING Bank's risk position at all times. Every quarter the CRO reports to the board committees on ING's risk appetite levels and on ING Bank's risk profile. In addition the CRO briefs the board committees on developments in internal and external risk related issues and makes sure the board committees understand specific risk concepts.

ING has integrated its risk management into the annual strategic planning process. This process aligns strategic goals, business strategies and resources throughout ING, and accordingly throughout ING Bank. The process is such that the Executive Board of ING Group issues a Planning Letter which provides the organisation with the corporate strategic direction, and addresses key risk issues. Based on this Planning Letter the business lines and business units develop their business plans which align with the ING's strategic direction. The process includes a qualitative and quantitative assessment of the risks involved in the plans. It is part of the process to explicitly discuss strategic limits and risk appetite levels. At each level, strategies and metrics are identified to measure success in achieving objectives and to assure adherence to the strategic plan. Based on the business unit and line of business plans, the Executive Board formulates the ING Strategic Plan which is submitted to the Supervisory Board for approval.

Risk policies

ING has a framework of risk management policies, procedures and standards in place to create consistency throughout the organisation, and to define minimum requirements that are binding on all business units. The governance framework of the business units aligns with the ING Bank framework and meets local (regulatory) requirements. Senior Management is responsible to ensure policies, procedures and standards are implemented and adhered to. Employees globally have access to the governance framework through an internal website. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in markets, products and emerging best practices.

RISK PROFILE

ING uses an integrated risk management approach. ING's risk appetite is defined by the ING Group Executive Board as part of the strategic planning process. Strict boundaries are established with regard to acceptable risk types and levels. ING's 'three lines of defence' governance framework ensures that risk is managed in line with the risk appetite as defined by the Executive Board of ING Group. Risk appetite is cascaded throughout the Bank, thereby safeguarding controlled risk taking. The role of the business lines is to maximise the value within established risk boundaries. Each quarter, the Board monitors that the financial and non-financial risks are within the boundaries of the risk appetite as set in the strategic planning process.

During 2009 the risk appetite framework for ING Group was revised, and approved by the Executive Board of ING Group. It now more closely aligns the risk appetite setting with the capital management targets for the capital ratios. This new framework will be implemented in 2010.

Economic Capital

One of the main risk management tools for ING Bank is Economic Capital which is used to determine the amount of capital that a transaction or business unit requires to support the economic risks it faces. Economic Capital is the amount of capital that is required to absorb unexpected losses in times of severe (i.e. '1 in 2000') stress given ING Bank's 'AA' target rating. ING Bank implemented Economic Capital for internal use in 1998. Since 1999 ING Bank has been disclosing Economic Capital information externally. The tables below provide ING Bank's Economic Capital by risk type and business line.

Economic Capital (Bank diversified only) by risk type

	2009	2008
Credit risk (including Transfer risk)	**9,991**	8,686
Market risk	**8,435**	10,349
Business risk	**2,581**	1,221
Operational risk	**2,074**	2,151
Total banking operations	**23,081**	22,407

Economic Capital (Bank diversified only) by Line of Business

	2009	2008
Commercial Banking	**8,662**	9,849
Retail Banking	**7,166**	6,169
ING Direct	**4,466**	4,050
Corporate Line Bank [(1)]	**2,787**	2,339
Total banking operations	**23,081**	22,407

[(1)] Corporate Line includes funding activities at ING Bank level, internal transactions between business units and the Corporate Line, and is managed by Capital Management.

Figures shown reflect all diversification effects within ING Bank, including risk reduction between the risk categories. Diversification effects that arise as a result of combining ING Bank activities are not taken into account. Business risk is to cover unexpected losses that may arise as a result of changes in client behaviour risk and costs.

The ING Bank Economic Capital model is described in more detail in the Model Disclosure section.

Despite de-risking activities the credit deterioration increased the credit risk capital. Starting in 2009, client behaviour risk is captured under business risks instead of market risk. This explains the increase in business risk. The drop in market risk capital is due to de-risking.

The de-risking efforts of Commercial banking have resulted in lower capital. For Retail banking the increase in value of the strategic equity stakes and deterioration of the retail portfolio explains an increase of economic capital. Credit migrations for securitisations are the main contributor for the higher capital in ING Direct.

Economic capital is a non accounting measure which is inherently subject to dynamic changes and updates as a result of ING's portfolio mix and general market developments. ING is in the process of recalibrating the underlying assumptions to its economic capital models to bring closer alignment of the economic capital framework with the regulatory capital framework, and to include the effects of the extreme market influences over the last year. As of the first of January 2010, this may have a material impact on the economic capital values for credit risk going forward.

ING BANK – CREDIT RISKS

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks are split into five principal risk categories: a) lending (including guarantees and letters of credit); b) investments; c) pre-settlement (derivatives, securities financing and foreign exchange trades); d) money markets and e) settlement. Corporate Credit Risk Management (CCRM) is responsible for the measurement and management of credit risk incurred by all ING Bank entities, including country-related risks. CCRM is organised along the three business lines of ING Bank (e.g. Retail Banking, Commercial Banking and ING Direct). The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the credit risk management functions for the business lines report directly to him.

Credit risk management is supported by dedicated credit risk information systems and internal credit risk measurement methodologies for debtors, issuers and counterparties. CCRM creates consistency throughout the credit risk organisation by providing common credit risk policies, methodologies, manuals and tools across ING.

ING's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim within the banking sector is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

Credit analysis is risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. For credit risk management purposes, financial obligations are classified into lending, investments, pre-settlement, money market and settlement. ING Bank applies a Risk Adjusted Return on Capital framework (RAROC) which measures the performance of different activities and links to shareholder value creation. The use of RAROC increases focus on risks versus rewards in the decision making process, and consequently stimulates the use of scarce capital in the most efficient way. More sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING's credit analysts make use of publicly available information in combination with in-house analysis based on information provided by the customer, peer group comparisons, industry comparisons and other quantitative techniques.

Lending risk

Lending risk arises when ING grants a loan to a customer, or issues guarantees on behalf of a customer. This is the most common risk category, and includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured at the notional amount of the financial obligation that the customer has to repay to ING, excluding any accrued and unpaid interest, discount/premium amortisations or impairments.

Investment risk

Investment risk is the credit default and risk rating migration risk that is associated with ING's investments in bonds, commercial paper, securitisations, and other similar publicly traded securities. Investment risk arises when ING purchases a (synthetic) bond with the intent to hold the bond for a longer period of time (generally through maturity). Bonds that are purchased with the intent to re-sell in a short period of time are considered to be trading risks, which are measured and monitored by the Corporate Market Risk Management department. For credit risk purposes, Investment risk is measured at original cost (purchase price) less any prepayments or amortisations and excluding any accrued and unpaid interest or the effects of any impairment.

Money market risk
Money market risk arises when ING places short term deposits with a counterparty in order to manage excess liquidity, as such, money market deposits tend to be short term in nature (1-7 days is common). In the event of a counterparty default, ING may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.

Pre-settlement risk
Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of credit risk outstanding is generally based on the replacement value (mark-to-market) plus a potential future volatility concept, using an historical 7 year time horizon and a 99% confidence level.

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed by the credit risk management units. Risk is further mitigated by operational procedures requiring trade confirmations to counterparties with all transaction details, and by entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING regularly participates in projects with other financial institutions to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk. Due to the very short term nature of settlement exposure (daily), settlement risks do not attract economic or regulatory capital and are excluded from risk reporting disclosures.

Country risk
Country risk is the risk specifically attributable to events in a specific country (or group of countries). It can occur within each of the five above described risk categories. All transactions and trading positions generated by ING include country risk which is further divided into economic and transfer risk. Economic risk is the concentration risk relating to any event in the risk country which may affect transactions and any other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING's risk appetite. Exposures derived from lending, investment pre-settlement and money market activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk mainly for emerging markets.

Determination of credit risk outstandings
Figures associated with Money Market and Lending activities are generally the nominal amounts, while amounts associated with Investment activities are based on the original amount invested less repayments. Off-Balance Sheet exposures include the letters of credits and guarantees, which are associated with the Lending Risk Category. Additionally, Off-Balance Sheet exposures include a portion of the unused limits, associated with the statistically expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called 'credit risk oustandings'.

Exposures associated with Securitisations (Asset Backed Financing, Commercial/Residential Mortgage Backed Securities and Covered Bonds) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. This amount is also considered to be 'outstandings'.

Risk management (continued)

Collateral policies

As with all financial institutions and banks in particular, ING is in the business of taking credit risks in an informed and measured fashion. As such, the creditworthiness of our customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING. During the assessment process of creating new loans, trading limits, or making investments, as well as reviewing existing loans trading positions and investments, ING determines the amount and type of collateral, if any, that a customer may be required to pledge to ING. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby ING and/or counterparties may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. Additionally, ING will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio. The type of collateral which is held as security is determined by the structure of the loan or position. Consequently, since ING’s portfolio is diversified, the profile of collateral it receives is also diversified in nature and does not reflect any particular collateral type more than others.

ING BANK CREDIT RISK PROFILE

ING Bank’s credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitised assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers’ creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitised assets such as Mortgage Backed Securities (MBS) and Asset Backed Securities (ABS) are secured by the pro rata portion of the underlying diversified pool of assets (commercial or residential mortgages, car loans and other assets) held by the issuer of the security. The last major area of credit risk involves pre-settlement credit exposures which arise from trading activities, including derivatives, repurchase transactions and securities lending/borrowing and foreign exchange transactions.

For the banking operations, ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING’s potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

Problem loans

Renegotiated Loans

ING’s credit restructuring activities focus on managing the client relationships, improving the borrower’s risk profile, maximising collection opportunities and, if possible, avoiding foreclosure or repossession. These activities are pro-actively pursued and primarily relate to Wholesale and Small and Medium Enterprise (SME) borrowers (‘Business’), which are not yet in default. Common actions taken include, but are not limited to, revising or extending repayment arrangements, assisting in financial reorganisation and/or turnaround management plans, deferring foreclosure, modifying loan conditions and deferring certain payments pending a change in circumstances. For consumer and residential mortgage loans (‘Consumer’) the approach is more portfolio oriented.

Restructuring activities for Business borrowers normally start with a watch list indication. Borrowers on the watch list maintain their rating (1-19). A watch list indication may develop into a restructuring status (18-19) or even a recovery status (20-22). Most borrowers with a watch list indication return to a regular status. For Consumer clients the watch list of ‘potential problem loan’ status is usually caused by payment arrears (more than 1 month) which are subsequently reflected in the risk rating of 18-19 (or comparable status based on an increased probability of default). Following restructuring relationship management is either transferred to the regular commercial banking departments or terminated.

ING’s renegotiated loans that would otherwise be past due or impaired are reflected below:

ING Bank renegotiated loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From restructuring (18-19) to regular (1-17) status	2,737	1,183
From recovery (20-22) to regular or restructuring status (1-19)	6,105	3,556
Total of renegotiated loans	8,842	4,739

This total is broken down by Business and Consumer clients as follows:

Renegotiated business loans that would otherwise be past due or impaired (outstandings)

	2009	2008
From restructuring (18-19) to regular (1-17) status	2,737	1,183
From recovery (20-22) to regular or restructuring status (1-19)	2,895	978
Total of renegotiated Business loans	5,632	2,161

ING continues to take a proactive approach in working with its Business customers which are experiencing financial difficulties to restructure their loans and help return the companies to economic viability. The large increases in 2009 are a reflection of the larger part of loans eligible for restructuring as a result of the financial crisis.

Renegotiated consumer and mortgage loans that would otherwise be past due or impaired (outstandings)		
	2009	2008
From recovery (20-22) to regular or restructuring status (1-19)	**3,210**	2,578
Total of renegotiated consumer and mortgages loans ('Consumer')	**3,210**	2,578

The increase in the total amount of renegotiated consumer and mortgage loans is a reflection of the growth of the portfolio and of ING's proactive (portfolio) management approach involving the automation of reminder and warning letters to Consumer borrowers who may otherwise be facing financial difficulties. Consumer borrowers do not have a restructuring status.

Past-due obligations
ING continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears. Generally, an obligation is considered 'past-due' if a payment of interest or principal is more than one day late. In practice, the first 5-7 days after an obligation becomes past due are considered to be operational in nature for the retail loans and small businesses. After this period, letters are sent to the obligor reminding the obligor of its (past due) payment obligations. If the arrear still exists after 90 days, the obligation is transferred to one of the 'problem loan' units. In order to reduce the number of arrears, ING banking units encourage their obligors to set up automatic debits from their (current) accounts to ensure timely payments.

Credit quality: ING Bank portfolio, outstandings		
	2009	2008
Neither past due nor impaired	**790,377**	817,069
Past due but not impaired (1-90 days) [1]	**7,404**	7,224
Impaired	**11,983**	8,592
	809,764	832,885

[1] Based on lending (consumer loans and residential mortgages only).

Aging analysis (past due but not impaired): ING Bank portfolio, outstandings [1] [2]		
	2009	2008
Past due for 1-30 days	**5,967**	5,844
Past due for 31-60 days	**1,281**	1,223
Past due for 61-90 days	**156**	157
	7,404	7,224

[1] Based on lending (consumer loans and residential mortgages only).
[2] The amount of past due but not impaired financial assets in respect of non-lending activities was not material.

There is no significant concentration of a particular type of loan structure in the past due or the impaired loan portfolio.

ING tracks past due but not impaired loans most closely for the consumer loan and residential mortgage portfolios. Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. For the wholesale lending portfolios and securities obligations, there are generally reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Repossession policy
It is ING's general policy not to take possession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does take possession of the collateral, ING generally attempts to sell the assets as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the obligor's business as a whole (or at least all of its assets), or the assets could be sold piecemeal.

Risk management (continued)

Impaired Loans: ING Bank portfolio, outstandings by economic sector		
	2009	2008
Private Individuals	**4,589**	3,718
Real Estate	**1,528**	1,094
General Industries	**933**	1,036
Food, Beverages & Personal Care	**681**	397
Builders & Contractors	**628**	676
Services	**611**	270
Media	**583**	135
Transportation & Logistics	**415**	146
Other	**2,015**	1,120
Total	**11,983**	8,592

The table above represents the economic sector breakdown of credit risk outstandings (including impaired amounts) for loans and positions that have been classified as problem loans and for which provisions have been made. Against this portfolio, ING holds specific and collective provisions of EUR 2,141 million and EUR 1,197 million, respectively (2008 EUR 1,067 million and EUR 799 million respectively), representing the difference between the amortised cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest.

Provisions
The credit portfolio is under constant review. A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the ING Provisioning Committee (IPC), which advises the ING Group Executive Board on specific provisioning levels. ING Bank identifies as impaired loans those loans for which it is probable, based on current information and events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

Provisions: ING Bank portfolio								
	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**1,024**	921	**1,070**	771	**517**	309	**2,611**	2,001
Changes in the composition of the group		2	**–3**				**–3**	2
Write-offs	**–520**	–260	**–493**	–399	**–204**	–69	**–1,217**	–728
Recoveries	**21**	24	**125**	63	**2**	4	**148**	91
Increase/(decrease) in loan loss provision	**1,211**	596	**997**	401	**765**	283	**2,973**	1,280
Exchange differences	**–28**	–17	**–12**	–36	**–8**	3	**–48**	–50
Other changes	**–80**	–242	**27**	270	**–12**	–13	**–65**	15
Closing balance	**1,628**	1,024	**1,711**	1,070	**1,060**	517	**4,399**	2,611

Following the trend in the global economy, risk costs began to increase in 2008. The trend continued in 2009, albeit at a slower pace in the second half of 2009.

Collateral
As part of its securities financing business, ING entities actively enter into agreements to sell and buy back marketable securities. These transactions can take many legal forms. Repurchase and reverse repurchase agreements, buy/sellback and sell/buyback agreements, and securities borrowing and lending agreements are the most common. The amount of marketable securities that ING held as collateral under these types of agreements was EUR 72.7 billion at 31 December 2009 and EUR 82.1 billion at 31 December 2008. The reduction is commensurate with the overall decline in open securities financing trades at year end 2009 compared to year end 2008. These amounts exclude the cash leg of the respective transactions, as well as any pledges of securities under Tri-Party agreements (as the underlying is not directly pledged to or owned by ING). As a general rule, the marketable securities that have been received under these transactions are eligible to be resold or repledged in other (similar) transactions. ING is obliged to return equivalent securities in such cases.

Risk classes
Risk classes are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to problem grade expressed in S&P equivalents.

Risk management (continued)

Risk classes ING Bank portfolio by business line, as % of total outstandings [(1)]

	Commercial Banking		Retail Banking		ING Direct [(2)]		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
1 (AAA)	**3.7%**	9.3%	**0.2%**	1.3%	**19.8%**	27.6%	**7.8%**	12.6%
2-4 (AA)	**18.7%**	19.3%	**3.5%**	5.7%	**17.2%**	17.1%	**13.4%**	14.5%
5-7 (A)	**21.4%**	16.7%	**4.9%**	4.0%	**18.3%**	15.6%	**15.2%**	12.5%
8-10 (BBB)	**20.7%**	23.2%	**37.5%**	34.3%	**25.0%**	22.2%	**27.4%**	26.2%
11-13 (BB)	**22.0%**	23.3%	**40.9%**	42.9%	**11.4%**	14.8%	**24.5%**	26.6%
14-16 (B)	**8.5%**	5.8%	**7.7%**	6.9%	**5.6%**	1.5%	**7.3%**	4.8%
17-22 (CCC & Problem Grade)	**5.0%**	2.4%	**5.3%**	4.9%	**2.7%**	1.2%	**4.4%**	2.8%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.
(2) Covered bonds are presented on the basis of the external credit rating of the issuer in question. Covered bond issues generally possess a better external credit rating than the issuer standalone, given structural features of such covered bonds.

Risk classes ING Bank portfolio, as % of total outstandings [(1)]

	Lending		Investment		Money Market		Pre-settlement		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
1 (AAA)	**0.8%**	1.3%	**36.9%**	49.8%	**1.2%**	7.1%	**5.9%**	8.1%	**7.8%**	12.6%
2-4 (AA)	**7.0%**	4.2%	**29.4%**	28.8%	**45.6%**	57.3%	**26.1%**	48.3%	**13.4%**	14.5%
5-7 (A)	**9.1%**	10.2%	**23.1%**	15.0%	**40.9%**	26.3%	**46.7%**	21.5%	**15.2%**	12.5%
8-10 (BBB)	**35.0%**	36.1%	**6.5%**	3.6%	**7.2%**	4.8%	**11.0%**	11.2%	**27.4%**	26.2%
11-13 (BB)	**32.7%**	37.8%	**1.8%**	1.5%	**4.7%**	4.4%	**7.3%**	7.2%	**24.5%**	26.6%
14-16 (B)	**9.9%**	6.6%	**0.6%**	0.6%	**0.2%**	0.1%	**1.8%**	2.7%	**7.3%**	4.8%
17-22 (CCC & Problem Grade)	**5.5%**	3.8%	**1.7%**	0.7%	**0.2%**		**1.2%**	1.0%	**4.4%**	2.8%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0	**100.0%**	100.0	**100.0%**	100.0%

(1) Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

ING Bank experienced a considerable downward migration in terms of risk classes, largely as a result of continuing downward pressure on external ratings related to securitisation tranches held by ING Direct and deteriorating credit worthiness in the general economy. Additionally problem grades also increased during the year, largely related to increasing financial difficulties in the SME markets. This was reinforced by downgrades of financial institutions as visible in Money Market and Pre-Settlement activities.

Risk concentration: ING Bank portfolio, by economic sector [(1) (2)]

	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Private Individuals	**0.2%**	0.2%	**70.5%**	68.4%	**49.7%**	44.1%	**38.2%**	34.5%
Non-Bank Financial Institutions	**13.0%**	13.5%	**1.9%**	2.0%	**20.0%**	29.9%	**11.8%**	15.0%
Commercial Banks	**19.5%**	20.4%	**0.8%**	1.2%	**14.4%**	15.4%	**12.0%**	13.1%
Central Governments	**12.3%**	12.8%	**1.8%**	1.5%	**8.6%**	2.7%	**7.8%**	6.2%
Real Estate	**13.8%**	12.5%	**4.1%**	3.9%	**0.8%**	0.6%	**6.6%**	6.2%
Natural Resources	**8.7%**	6.9%	**0.8%**	0.7%			**3.4%**	2.9%
Central Banks	**3.7%**	2.4%	**0.3%**	1.6%	**2.8%**	4.5%	**2.3%**	2.8%
Transportation & Logistics	**5.6%**	5.4%	**1.5%**	1.6%			**2.5%**	2.6%
Services	**3.2%**	3.5%	**3.3%**	3.1%	**0.1%**		**2.2%**	2.3%
Other	**20.0%**	22.4%	**15.0%**	16.0%	**3.6%**	2.8%	**13.2%**	14.4%
	100.0%	100.0%	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**	100.0%

(1) Based on the total amount of credit risk in the respective column using ING's internal credit risk measurement methodologies.
(2) Economic sectors below 2% are not shown separately but grouped in Other.

ING Direct continued to increase its diversification into residential mortgages, while proportionally reducing its securitisation and bond portfolios. The increased concentration in 'Central Governments' at ING Direct was due to the Alt-A transaction with the Dutch government. The following industries fell below the 2.0% threshold during 2009: Food, Beverage and Personal Care (2008: 2.2%), General Industries (2.1%) and Builders and Contractors (2.0%).

Risk management (continued)

Largest economic exposures: ING Bank lending portfolio, by country [(1) (2)]								
	Commercial Banking		Retail Banking		ING Direct		Total ING Bank	
amounts in billions of euros	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Netherlands	**54.8**	56.2	**187.0**	171.9	**17.7**	1.0	**259.5**	229.1
Germany	**11.2**	12.5	**0.2**	0.2	**70.3**	61.5	**81.7**	74.2
Belgium	**26.5**	25.6	**52.9**	52.6	**0.9**	1.1	**80.3**	79.3
United States	**31.3**	35.3	**0.6**	0.2	**48.2**	63.6	**80.1**	99.1
Spain	**12.3**	15.2	**0.4**	0.4	**36.4**	40.1	**49.1**	55.7
Australia	**4.4**	4.3	**0.1**		**31.8**	23.0	**36.3**	27.3
France	**23.0**	23.4	**0.8**	0.7	**5.1**	4.2	**28.9**	28.3
Italy	**13.6**	14.7	**0.6**	0.5	**12.2**	12.8	**26.4**	28.0
United Kingdom	**13.9**	15.8	**0.2**	0.2	**12.1**	13.5	**26.2**	29.5
Canada	**0.7**	1.4			**21.8**	17.4	**22.5**	18.8
Poland	**9.0**	9.7	**6.2**	2.1			**15.2**	11.8
Turkey	**0.7**	0.8	**9.0**	8.6			**9.7**	9.4

(1) Only covers total exposures in excess of EUR 9 billion, including intercompany exposure with ING Insurance. The selection contains the same countries as in the previous year, albeit in a different order.
(2) Country is based on the country of residence of the obligor.

In line with ING's de-risking strategy, the portfolio developments in most countries mirrored the developments in the portfolio as a whole. The growth at ING Direct in The Netherlands and the decrease in the United States are the result of the Alt-A transaction with the Dutch government. The increase in Australia is largely driven by exchange rate effects. In Canada, the increase in exposure was principally caused by growth of the Residential Mortgage portfolio.

ING BANK – MARKET RISKS

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates and real estate prices, negatively impact the bank's earnings, market value or liquidity position. Market risk either arises through positions in trading books or through the banking book positions. The trading positions are held for the purpose of benefiting from short-term price movements, while the banking book positions are intended to be held in the long term (or until maturity) or for the purpose of hedging other banking book positions.

Within ING Bank, market risk (including liquidity risk) falls under the supervision of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is regionally organised with the exception of ING Direct, which has a separate ALCO. The business lines Retail Banking and Commercial Banking are represented within the respective regional and local ALCO's. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

The Corporate Market Risk Management department (CMRM) is the designated independent department that is responsible for the design and execution of the bank's market risk management functions in support of the ALCO function. The CMRM structure recognises that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

CMRM is responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the market risk management function is the assessment of market risk in new products and businesses. Furthermore CMRM maintains an adequate limit framework in line with ING Bank's risk appetite. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit breaches are reported to senior management on a timely basis and the business is required to take the appropriate actions to reduce the risk position.

Market risk in trading books

Organisation

Within the trading portfolios, positions are maintained in the professional financial markets for the purpose of benefiting from short term price movements. Market risk arises in the trading portfolios through the exposure to various market risk factors, including interest rates, equity prices and foreign exchange rates.

The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the guidelines set by ALCO Bank, sets market risk limits both on an aggregated level and on a desk level, and approves new products. CMRM advises both the FMRC and ALCO Bank on the market risk appetite of Commercial Banking activities.

For the trading portfolios CMRM focuses on the management of market risks of Commercial Banking (mainly Financial Markets) as this is the only business line where significant trading activities take place. Trading activities include facilitation of client business, market making and proprietary position taking in cash and derivatives markets. CMRM is responsible for the development and implementation of trading risk policies and risk measurement methodologies, the reporting and monitoring of risk exposures against approved trading limits and the validation of pricing models. CMRM also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. The management of trading market risk is performed at various organisational levels, from CMRM overall down to specific business areas and trading offices.

Measurement
CMRM uses the Value at Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year. ING uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital. ING's VaR model has been approved by the De Nederlandsche Bank (DNB: the Dutch Central Bank) to be used for the regulatory capital calculation of its most important trading activities.

Market risk management for the fixed income and equity markets is split into two components: general market risk and specific market risk. The general market risk component estimates the VaR resulting from general market-value movements (e.g. interest rate movements). The specific market risk component estimates the VaR resulting from market-value movements that relate to e.g. the underlying issuer of securities in the portfolios. This specific risk relates to all value movements not related to general market movements.

CMRM has implemented a historical simulation Value at Risk model for consolidated risk reporting for the trading books that has replaced the Variance Covariance method used previously. ING has chosen to use a phased rollout approach and as of 1 January 2009, implemented the first phase after approval from DNB. In this first phase, calculations for linear portfolios and equity derivative positions have changed from variance-covariance to historical simulation. Most of the other non-linear risks and specific risks are still measured by Monte Carlo – or variance-covariance methods. In due time, all non-linear and specific risks will be replaced by actual historical simulation results mainly based on full revaluation. The harmonization of VaR methodologies is one of the main targets of CMRM for 2010.

Limitations
VaR as a risk measure has some limitations. VaR uses historical data to forecast future price behaviour. Future price behaviour could differ substantially from past behaviour. Moreover, the use of a one-day holding period (or ten days for regulatory calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold true. Also, the use of 99% confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

The Basel Committee has proposed to supplement the current VaR regulatory capital framework for trading exposures with e.g. an Incremental Risk Charge (IRC) and Stressed VaR to cover for the shortcomings of the current risk framework. The IRC will ensure that Basel II capital charges will capture certain risks which are not reflected in the current 99%, 10-day VaR model for the trading book such as defaults and credit migrations. The Basel II requirements on the incremental risk charge will come into force from 2011 onwards.

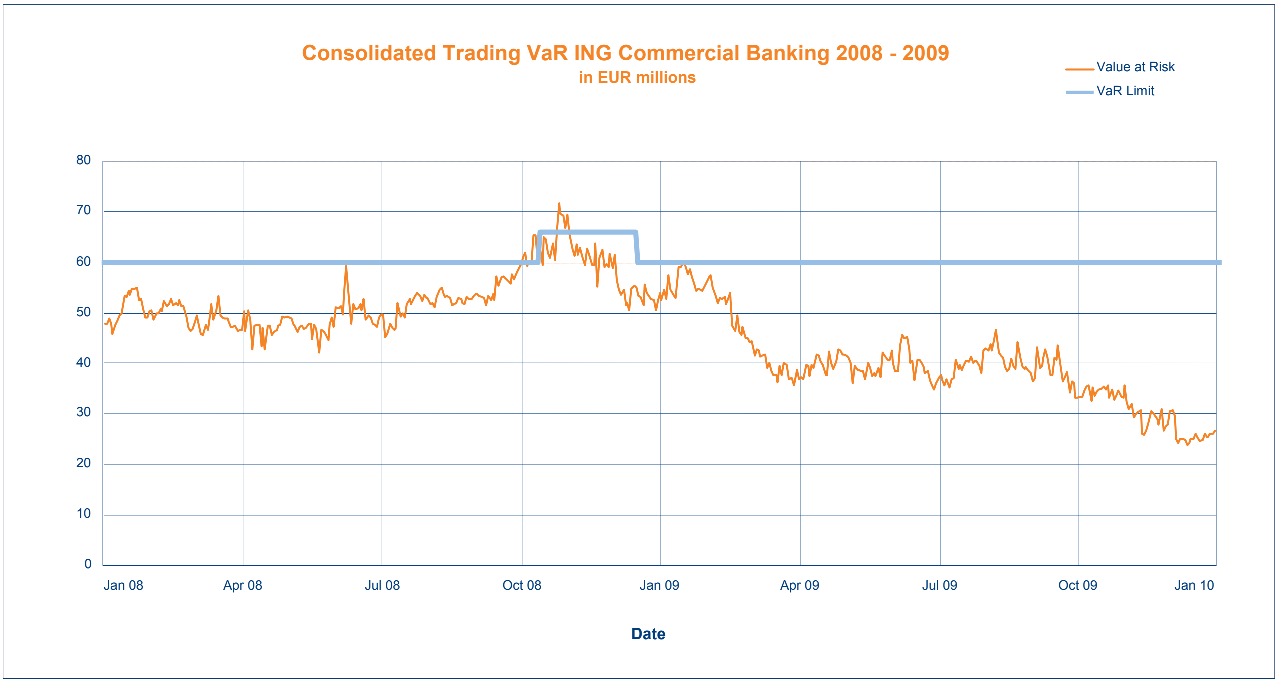
Backtesting
Backtesting is a technique for the ongoing monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an 'occurrence' has taken place. Based on ING's one-sided confidence level of 99% an occurrence is expected once in every 100 business days. In 2009, like in 2008, there was no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Commercial Banking. ING reports the results of this backtesting to DNB on a quarterly basis.

Risk management (continued)

Stress testing
Stress tests are used for the monitoring of market risks under extreme market conditions. Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss account effect caused by a potential event and its world-wide impact for ING Commercial Banking. The event risk number for the ING Commercial Banking trading activity is generated on a weekly basis. Like VaR, event risk is limited by ALCO Bank. The event-risk policy (and its technical implementation) is specific to ING as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value at Risk model). ING's event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange, credit and related derivative markets). The scenarios and stress parameters are back-tested against extreme market movements that actually occurred in the markets. If and when necessary, ING evaluates specific stress scenarios, as an addition to its structural stress tests. These specific scenarios relate to current concerns, like political instability in certain regions, terrorist attacks or extreme movements in energy prices.

Other trading controls
VaR and event risk limits are the most important limits to control the trading portfolios. Furthermore, ING uses a variety of other limits to supplement VaR and event risk. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors or countries. In addition to this, other risk limits are set with respect to the activities in exotic derivatives trading. The market risk of these products is controlled by product specific limits and constraints.

Development of market risks
The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon. The overnight VaR is presented for the ING Commercial Banking trading portfolio which was risk managed by CMRM Trading during 2008 and 2009. Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the trading risk graph and table below.



During 2009 the overnight VaR for the ING Commercial Banking trading portfolio ranged from EUR 25 million to EUR 60 million. One minor limit excess was observed in 2009. On 16 January 2009, the EUR 60 million VaR limit was exceeded by EUR 50,000.

The average VaR over 2009 was substantially lower than 2008 (average VaR 2009: EUR 39 million and average VaR 2008: EUR 53 million). After the extreme market volatility in Q4 2008 following the failure of several financial institutions and the gloomy economic outlook, the VaR decreased to EUR 27 million in Q4 2009. This decrease is to a large extent related to the de-risking strategy of ING and the decrease of volatility in the different financial markets.

Risk management (continued)

More details on the VaR of the ING Commercial Banking trading portfolio for 2009 and 2008 are provided in the table below.

Consolidated VaR trading books ING Commercial Bank

	Minimum		Maximum		Average		Year end	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Foreign exchange	**1**	4	**11**	9	**5**	5	**3**	7
Equities	**4**	5	**11**	13	**7**	8	**5**	7
Interest rate / Credit spread	**20**	33	**54**	58	**33**	45	**24**	43
Diversification [1]					**–6**	–5	**–5**	–3
Total VaR	**24**	42	**60**	72	**39**	53	**27**	54

[1] The total VaR for the columns Minimum and Maximum can not be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates.
Note: the above categories are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

In general, the level of the trading VaR was lower in 2009, and also showed a decreasing trend after February 2009. The interest rate market, which includes both the general interest rate and credit spread exposures, provided the largest contribution to the trading VaR.

The following tables show the largest trading foreign exchange positions and interest rate and corporate credit spread sensitivities. The corporate credit spread sensitivities are furthermore split in different risk classes and sectors.

Most important foreign exchange positions (year end 2009)

amounts in thousands of euros	**2009**		2008
Foreign exchange		**Foreign exchange**	
US dollar	**–266**	Singapore dollar	–91
Chinese yuan	**208**	Mexican peso	69
Bulgarian lev	**37**	South Korean won	–68
Polish zloty	**31**	US dollar	55
South Korean won	**20**	Chinese yuan	46

Most important interest rate and credit spread sensitivities (year end 2009)

amounts in thousands of euros	**2009**		2008
Interest Rate (BPV [1])		**Interest Rate (BPV [1])**	
Eurozone	**–1,175**	Eurozone	–1,272
United States	**–359**	Mexico	–289
Mexico	**–153**	United States	241
United Kingdom	**–109**	South Korea	–111
Japan	**107**	Taiwan	60
Credit Spread (BPV [1])		**Credit Spread (BPV [1])**	
United States	**–115**	Eurozone	–247
Eurozone	**–86**	United States	–187
Mexico	**–57**	Mexico	–97
Japan	**–17**	Japan	–56
Russia	**–13**	United Kingdom	–32

[1] Bpv (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the interest rate or credit spread.

Risk management (continued)

Credit spread sensitivities per risk class and sector (year end 2009)				
		2009		2008
amounts in thousands of euros Credit Spread (BPV [1])	Corporate	Financial Institutions	Corporate	Financial Institutions
Risk classes				
1 (AAA)	**–18**	**–145**	–20	–40
2-4 (AA)	**–18**	**–34**	–19	–115
5-7 (A)	**83**	**–100**	4	–88
8-10 (BBB)	**16**	**14**	–75	–103
11-13 (BB)	**–12**	**–20**	–37	–54
14-16 (B)	**–21**	**20**	–6	–18
17-22 (CCC & Problem Grade)	**–47**	**–11**	–21	–2
No rating	**15**	**–16**	–19	–28
Total	**–2**	**–292**	–193	–448

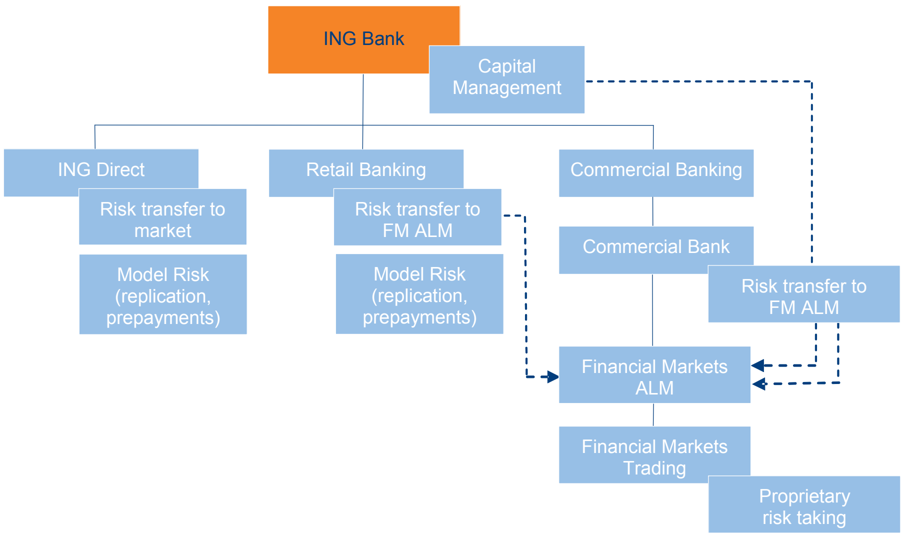
[1] BPV (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the credit spread.

Market risk in banking books
Organisation

Within ING Bank, positions are either labelled as trading or non-trading (banking book) positions. The most important aspect in segregating the banking from the trading books is the intent of the positions held in these books. The banking book positions are intended to be held for the long-term (or until maturity) or for the purpose of hedging other banking positions emerging from commercial business, as for instance in the mortgage book.

Interest rate risk in banking books

The interest rate risk of the banking books is the risk that ING Bank's earnings or market value resulting from the non-trading positions is negatively impacted by movements in interest rates. To assign clear responsibilities for risk and return within the banking book structure an Asset and Liability Management (ALM) framework has been implemented by ALCO Bank. This framework enables a clear separation of three types of activities: the investment of own capital, the commercial business and the management of the bank's strategic interest rate risk position in the designated ALM books. The figure below presents the ALM framework of ING Bank within which the interest rate risk is measured and monitored:



ING Bank's capital management positions, i.e. the own funds (core capital) and the investments of these own funds, are isolated in the ING Bank corporate line. ALCO Bank determines the target maturity profile over which ING Bank's own funds must be invested. This maturity profile reflects the long term nature of the rate of return required by ING Bank's investors and aims for both earnings maximisation and stabilisation. ALCO Bank considers a well balanced portfolio of long-dated fixed income investments as the risk neutral position in its internal risk transfer framework.

The risk transfer principle forms the basis of ING Bank's ALM framework. This refers to the principle whereby the outright interest rate risk resulting from the commercial business is transferred to the ALM books. The interest rate risk from the commercial business arises from the fact that own originated assets and liabilities do not reprice simultaneously with respect to interest rate characteristics. The transfer of the outright interest rate risk is to a large degree based on modelling client behaviour. Within CMRM, extensive research is being done in order to optimise this modelling. For this purpose, several methods are in place to replicate the interest rate risk, taking into account both the contractual and behavioural characteristics of demand deposits, saving accounts and mortgages. All models and assumptions are back-tested regularly and results are presented to the designated ALCO.

For the determination of the interest rate sensitivity of savings accounts and current accounts, several methods depending on the focus of the risk analysis have been developed, e.g. historical simulation, Earnings Sensitivity analysis and valuation models. Pricing strategies, outstanding volumes and the level and shape of the yield curve are taken into account in these models. Based on these analyses, investment rules are determined for the various portfolios.

The hedging of the embedded prepayment options within mortgage portfolios is based on prepayment prediction models. These models include the incentive for clients to prepay. The parameters of these models are based on historical data and are regularly updated. The interest sensitivity of the embedded offered rate options for the mortgage portfolio is determined as well and a hedging process is in place to minimise the resulting interest rate risk.

After transferring the outright interest rate risk position to the ALM books, the residual interest rate risk that remains in the commercial banking books is caused by basis risk and optionality. The commercial business units bear responsibility for these residual interest rate risks that result from banking products of which future cash flows depend on client behaviour (e.g. optionality in mortgages) and from banking products of which the client rate earned and paid imperfectly correlate with the changing market rates (basis risk). Examples of products in which these risks are inherent are current accounts, saving accounts and mortgages.

Within ING Direct the interest rate risk is managed and measured at the level of the local ING Direct entities. The interest rate risk that remains in the ING Direct entities also largely results from basis risk and optionality as the outright interest rate risk is to a large extent hedged.

The ALM books are managed within ING Commercial Banking and contain the strategic interest rate risk position of ING Bank. The main objective is to maximise the economic value of the book and to generate adequate and stable yearly earnings within the risk appetite boundaries of ING Bank.

In the following sections, the risk figures for interest rate risk in the banking books are presented. ING Bank uses several risk measures to manage interest rate risk both from an earnings and a value perspective. Earnings Sensitivity (ES) is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective. Several small banking books are governed by the trading risk process and are therefore excluded from the following banking book risk tables. These are included in the trading risk graph and table under 'Market Risk in Trading Books'.

Earnings Sensitivity (ES)

ES measures the impact on (pre tax) IFRS earnings resulting from changes of market interest rates over a time period of one year. Management interventions are not incorporated in these calculations; balance sheet dynamics (e.g. new business) only where significant. The ES figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock in market rates. After the shock the market rates are assumed to remain stable for the next 12 months. For the ALM books ES measures the potential loss of earnings due to the structural mismatch in interest rate positions. The calculations for the ALM books capture the ES resulting from the current positions. For the commercial banking books the ES captures the interest rate risks resulting from savings, current accounts and the main mortgage portfolios. The impact of new business is included in the ES calculations for the savings and demand deposits portfolios, as it is most relevant for these portfolios. The ES of the Corporate Line, i.e. the investment of ING Bank's equity capital, reflects the interest risk profile of the investments only.

Risk management (continued)

Earnings Sensitivity banking books (1% instantaneous upward shock to interest rates)	2009	2008
By Business Line		
ING Commercial Banking	**–44**	–91
ING Retail Banking	**–115**	–102
ING Direct	**–281**	5
ING Bank Corporate Line	**5**	46
ING Bank Total	**–435**	–142
By Currency		
Euro	**–262**	–220
US dollar	**–193**	80
Pound sterling	**–26**	5
Other	**46**	–7
Total	**–435**	–142

The total ES figure increased from EUR –142 million to EUR –435 million. In 2008 interest rates decreased to exceptionally low levels in the light of substantial rate cuts by central banks. Retail Banking and ING Direct in particular invested in more short term assets. This led to a relatively low level ES figure at the end of 2008.

In the course of 2009 the client coupons on savings accounts were lowered in line with the development of market rates. Simultaneously, client rates became more sensitive to upward rate shocks, leading to a further increase of the ES figure. This effect was magnified by the growth in savings volume. Moreover, the duration of mortgages of ING Direct US increased significantly after the increase of long term interest rates by approx +1% in the course of 2009. Consequently, Earnings Sensitivity further increased. The ES of Commercial Banking decreased following a reduction in the structural interest rate mismatch position in the strategic ALM portfolio.

Net Present Value at Risk (NPV)

The Net Present Value (NPV) at Risk figures represent the full value impact (i.e. including convexity) on the banking books resulting from changing interest rates. This full value impact cannot be linked directly to the balance sheet or profit and loss account as the fair value movements in banking books are generally not reported through the profit and loss account or through equity. The largest part, namely the value mutations of the amortised cost balances, is neither recognised in the balance sheet nor directly in the profit and loss account. These mutations would be expected to materialise over time in e.g. the profit and loss account, if interest rates develop according to forward rates throughout the remaining maturity of the portfolio. The NPV at Risk figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock of market rates in line with the ES calculations. For the ALM books the NPV at Risk figures again capture the potential change of value due to the structural mismatch in interest rate positions. For the commercial banking books the NPV at Risk calculations capture the convexity resulting from the optionality in the main mortgage portfolios, e.g. the option for clients to prepay in case of moving house. In these calculations it is assumed that savings and other demand deposits of Retail and Commercial Banking are perfectly represented via the replicating methods and therefore are fully hedged. The NPV at Risk of the Corporate Line again only reflects the interest risk profile of the investments of the bank's own funds.

NPV-at-Risk banking books (1% instantaneous upward shock to interest rates)	2009	2008
By Business Line		
ING Commercial Banking	**–427**	–674
ING Retail Banking	**–51**	–100
ING Direct	**49**	–232
ING Bank Corporate Line	**–1,406**	–1,388
ING Bank Total	**–1,835**	–2,394
By Currency		
Euro	**–1,811**	–2,105
US dollar	**–39**	–238
Pound sterling	**–53**	–40
Other	**68**	–11
Total	**–1,835**	–2,394

Risk management (continued)

The end of year NPV at Risk decreased significantly by EUR 559 million to EUR –1,835 million. This change is mainly driven by ING Direct where shortening of investments at certain units changed the NPV at Risk figure from a negative to a positive value. Within Commercial Banking the structural interest rate mismatch position in the strategic ALM portfolio was reduced, leading to a reduction in NPV at Risk.

Basis Point Value (BPV)
The Basis Point Value (BPV) figures below represent the value impact to the banking books resulting from a change in interest rates of 1 basis point. The BPV figures represent the directional position under a small upward shift in interest rates and do not capture the convexity resulting from the optionality in mortgages under larger interest rate movements.

BPVs per currency banking books

amounts in thousands of euros	2009	2008
Currency		
Euro	**–15,340**	–19,176
US dollar	**757**	337
Pound sterling	**–684**	–582
Other	**475**	–373
Total	**–14,792**	–19,794

The outright interest rate risk that is represented through the BPV positions in the table above is mainly caused by the investments of the Bank's core capital. The BPV figures are consistent with the NPV-at-Risk figures, showing the reduced exposure to changing interest rates.

Foreign exchange risk in banking books
Foreign exchange (FX) exposures in banking books result from commercial banking business (business units doing business in other currencies than their base currency), FX translation risk on foreign currency investments (including realised results) and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Commercial banking business
Every business unit hedges the FX risk as result of their commercial activities into the base currency of the unit. Consequently assets and liabilities are matched in terms of currency.

FX Translation result
ING's strategy is to protect the bank's Tier 1 ratio against unfavourable FX rate fluctuations [1]. The protection is largely achieved by the issuance of US dollar and Pound sterling denominated hybrid debt that qualifies as Tier 1 capital ('Tier 1 securities') and furthermore by taking structural foreign currency positions. The goal of deliberately taking open FX positions is to make the Tier 1 capital and risk-weighted assets evenly sensitive to changing FX rates. The US dollar, Pound sterling, Polish zloty, Australian dollar and Turkish lira are the main currencies in this respect.

The following tables present the currency exposures in the banking books.

Net banking currency exposures banking books

	Foreign investments		Hedges		Net Exposure	
	2009	2008	**2009**	2008	**2009**	2008
US dollar	**6,913**	9,061	**–3,980**	–4,502	**2,933**	4,559
Pound sterling	**–1,155**	–1,132	**1,220**	1,113	**65**	–19
Polish zloty	**1,153**	1,027	**–486**	–490	**667**	537
Australian dollar	**2,186**	1,031	**–1,423**	–700	**763**	331
Turkish lira	**1,752**	1,687	**–233**	–193	**1,519**	1,494
Other currency	**7,321**	4,897	**–3,549**	–3794	**3,772**	1,103
Total	**18,170**	16,571	**–8,451**	–8,566	**9,719**	8,005

[1] Recently, the strategy changed and the core Tier 1 ratio, instead of the Tier 1 ratio, will be protected against FX rate fluctuations going forward.

Risk management (continued)

The US dollar Foreign Investments declined in 2009 due to significant negative results, mainly within ING Direct US. The Australian dollar Foreign investments increased significantly for different reasons: a capital injection in ING Direct Australia, strengthening of the FX rate by 25% and positive realised results. The significantly increased Net Exposure in the category ‘Other currency’ is mainly caused by increased share prices related to strategic equity stakes. For example, the share price of Bank of Beijing increased over 100%, increasing the exposure to the Chinese renminbi.

In order to measure the remaining sensitivity of the Tier 1 ratio against FX rate fluctuations, the Tier 1 ratio at Risk (TaR) measure is used as presented in the following table. It measures the drop in the Tier 1 ratio when stressing a certain FX rate. The stress scenarios for the FX rates that are used for calculating the TaR, are presented in the last two columns. A positive stress scenario means that the foreign currency appreciates against the Euro. For the US dollar this means that at the end of 2009 the Tier 1 ratio would decrease by 0.030% in absolute terms (e.g. from 9.030% to 9.000%) if the US dollar depreciates by 15%.

Tier 1 ratio sensitivity ING Bank

		TaR		Stress Scenario
	2009	2008	**2009**	2008
US dollar	**0.030%**	0.041%	**–15%**	–10%
Pound sterling	**0.002%**	0.000%	**–15%**	+5%
Polish zloty	**0.006%**	0.001%	**–15%**	+20%
Australian dollar	**0.010%**	0.003%	**–20%**	+5%
Turkish lira	**0.006%**	0.017%	**–25%**	–30%
Total	**n/a**	n/a	**n/a**	n/a

Equity price risk in banking books

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments whose price reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a strategic portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,396 million (2008: EUR 1,813 million) and equity securities held in the Available-for-Sale portfolio of EUR 3,682 million (2008: EUR 1,863 million). The value of equity securities held in the Available-for-Sale portfolio is directly linked to equity security prices with increases/decreases being recognised (except in the case of impairment) in the revaluation reserve. During the year ended 31 December 2009 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 1,198 million (2008: EUR 776 million) and a high amount of EUR 2,536 million (2008: EUR 1,969 million). Investments in associates are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices.

Real Estate price risk in banking books

Real estate price risk arises from the possibility that real estate prices will fluctuate affecting both the value of real estate assets and earnings related to real estate activities.

ING Bank has three different categories of real estate exposure on its banking books. First, ING Bank owns buildings it occupies. Second, ING Bank has a Real Estate Development company for which results are dependent on the overall real estate market, although the general policy is to mitigate risk by pre-sale agreements where possible. Third, for various real estate funds, ING Bank has co-invested seed capital and bridge capital to support the launch of new funds. A decrease in real estate prices will cause the value of this seed and bridge capital to decrease and will lower the level of third party assets under management, which in turn will reduce the fee income from this activity.

The crisis in the financial markets could lead to a further slowdown of the world economy in general. These global economic factors could also have future negative consequences for the value of real estate assets.

For the third category mentioned above real estate price shocks will have a direct impact on reported net profit. ING Bank’s real estate exposure (i.e. including leverage and committed purchases) is EUR 7.0 billion of which EUR 3.3 billion is recorded as fair value through P&L and EUR 3.7 billion is not revalued through P&L, but is either booked at cost or is revalued through equity (with impairments going through P&L). In total, real estate exposure decreased by EUR 1.9 billion mainly as a result of negative fair value changes (EUR 800 million), impairments (EUR 620 million), net divestments (EUR 900 million) and compensated by FX appreciation (EUR 420 million).

Real Estate Exposure banking books recorded at fair value through P&L

2009	**Residential**	**Office**	**Retail**	**Industrial**	**Other**	**Total**
Europe		**357**	**196**	**94**	**224**	**871**
Americas	**146**	**93**	**91**	**1,040**	**220**	**1,590**
Australia	**18**	**24**	**298**	**121**	**32**	**493**
Asia	**34**	**24**	**267**			**325**
Total	**198**	**498**	**852**	**1,255**	**476**	**3,279**

Risk management (continued)

Real Estate Exposure banking books recorded at fair value through P&L						
2008	Residential	Office	Retail	Industrial	Other	Total
Europe	1	893	454	133	98	1,579
Americas	237	172	234	1,199	295	2,137
Australia	3	93	261	126	51	534
Asia	244	99	278	7	19	647
Total	485	1,257	1,227	1,465	463	4,897

ING Bank's real estate exposure revalued through P&L has decreased as a result of value declines, outflow of investments in funds and sales. Europe's real estate exposure recognised EUR 80 million of fair value changes and was not severely impacted compared to other regions. However, sales and outflow within funds of EUR 650 million decreased European real estate exposure. Exposure in the Americas was negatively impacted by fair value changes in the Summit portfolio (EUR 290 million) and other US exposures (EUR 200 million). The sale of Canadian assets (EUR 160 million), partly offset by the Canadian dollar appreciation, contributed to a further decrease in exposure. Exposure in Australia decreased slightly because of negative fair value changes (EUR 160 million) partly offset by the Australian dollar appreciation. Asia's real estate exposure decreased mainly due to the sale of assets and outflow within funds (EUR 250 million) and negative fair value changes (EUR 70 million).

Real Estate Exposure banking books not revalued through P&L						
2009	**Residential**	**Office**	**Retail**	**Industrial**	**Other**	**Total**
Europe	**515**	**1,392**	**846**	**74**	**463**	**3,290**
Americas	**95**	**140**				**235**
Australia	**8**	**15**	**37**		**99**	**159**
Asia						
Total	**618**	**1,547**	**883**	**74**	**562**	**3,684**

Real Estate Exposure banking books not revalued through P&L						
2008	Residential	Office	Retail	Industrial	Other	Total
Europe	644	1,500	853	81	359	3,437
Americas	78	158	7		24	267
Australia	22	1	87		147	257
Asia						
Total	744	1,659	947	81	530	3,961

ING Bank's real estate exposure not revalued through P&L has decreased. Main changes as a result of impairments (EUR 620 million) and net investments (EUR 290 million) are observed in Europe and Australia, partly offset by the AUD appreciation.

ING BANK – LIQUIDITY RISK

As with other bank market risks, liquidity risk falls under the supervision of the ALCO function within ING Bank with ALCO Bank as the highest approval authority.

Definition

Liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialise both through trading and non-trading positions. Within ING Bank the liquidity risk framework has been determined by ALCO Bank, which bears the overall responsibility for liquidity risk. The liquidity risk framework is further cascaded down the organisation under the responsibility of the regional and local ALCOs. The main objective of ING's liquidity risk framework is to maintain sufficient liquidity in order to ensure safe and sound operations. For this purpose liquidity risk is considered from three different angles namely from a structural, tactical and a contingency point of view.

Structural liquidity risk

Structural liquidity risk is the risk that the structural, long term balance sheet can not be financed timely or at a reasonable cost. In this view of liquidity risk the total on and off balance sheet positions are considered from a structural asset and liability management perspective. For this purpose ALCO Bank established a working group consisting of Corporate Market Risk Management, Capital Management and Financial Markets that focuses on liquidity risk aspects from a going concern perspective. The main objective of the working group is to maintain a sound liquidity profile through:

Risk management (continued)

- Maintaining a well diversified mix of funding sources in terms of instrument types (e.g. unsecured deposits, commercial paper, long term bonds or repurchase agreements), fund providers (e.g. professional money market players, wholesale or retail clients), geographic markets and currencies;
- Actively managing access to the capital markets by regularly issuing public debt in all material markets and the maintenance of investor relations;
- Holding a broad portfolio of eligible assets that can be used to obtain secured funding, e.g. from repo market or ECB; in this respect the total eligible collateral amounts to EUR 165 billion (nominal);
- Maintaining an adequate structural liquidity gap taking into account the asset mix and both the secured and unsecured funding possibilities of ING Bank;
- Maintaining a funds transfer pricing methodology in which ING Bank's cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

With respect to funding sources, ING Bank aims to fund its own originated assets (loans) by an equal amount of own originated liabilities (deposits), meaning a loan-to-deposit-ratio of 1 (ultimo 2009 value equals 1.16). In the table below the actual funding mix is displayed.

ING Bank Funding Mix

	2009	2008
Funding type		
Retail deposits	**46%**	36%
Corporate & other deposits	**17%**	25%
Interbank (incl. central bank)	**10%**	14%
Lending / repurchase agreement	**8%**	11%
Public debt	**16%**	11%
Subordinated debt	**3%**	3%
Total	**100%**	100%

Note: this table excludes IFRS equity, trading and non-trading liabilities, derivatives and other liabilities.

The funding mix remained favourable and well diversified. Deposits accounted for more than 60% of the total funding base.

Tactical liquidity risk

From a tactical, short-term perspective the liquidity risk resulting from the short term cash and collateral positions is managed. ALCO Bank has delegated day-to-day liquidity management to Financial Markets Amsterdam, which is responsible for managing the overall liquidity risk position of ING Bank, while regional and local Financial Markets departments are responsible for managing liquidity in their respective regions and locations.

Within Financial Markets the focus is mainly on the daily and intraday cash and collateral positions and it is policy to sufficiently spread day-to-day funding requirements. For this purpose the Treasury function monitors all maturing cash flows along with expected changes in core business funding requirements.

The liquidity risk management function is delegated to CMRM, which bears the responsibility for liquidity risk stress testing and for the identification, measurement and monitoring of the liquidity risk position. For the measurement and monitoring of the actual liquidity position the focus is on the daily cash and collateral position. For stress testing purposes the liquidity risk positions are calculated in line with the regulatory reporting requirements for liquidity risk of the Dutch Central Bank. For this purpose ING Bank's weekly and monthly liquidity positions are stress tested under a scenario that is a mix between a market event and an ING specific event. The resulting liquidity positions are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer.

Contingency liquidity risk

Contingency liquidity risk relates to the organisation and planning for liquidity management in times of stress. Within ING a specific crisis team is responsible for the liquidity management in times of crisis. This crisis team consists of the CRO, the CFO, the Bank Management Board member responsible for Commercial Banking, the Directors of CMRM and Capital Management and all the main treasurers of both ING Bank. Within ING it is policy to have adequate and up-to-date contingency funding plans in place throughout the organisation. The main objective of ING's contingency funding plans is to enable senior management to act effectively and efficiently in times of crisis. The contingency funding plans are established for addressing temporary and long-term liquidity disruptions caused by a general event in the market or an ING specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The contingency funding plans are regularly tested both on consolidated and local level in order to be best prepared for potential liquidity risk issues.

NON-FINANCIAL RISKS

In addition to the above financial risks (credit, market and liquidity risk) the next paragraphs describe the non-financial risks, being operational and compliance risks.

GENERAL

Policy implementation

To ensure robust non-financial risk management ING monitors the full implementation of ING's risk policies and Minimum Standards. Business units have to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. ING applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are in place and effective within the business units.

Enhancements of the Non-financial Risk Dashboard

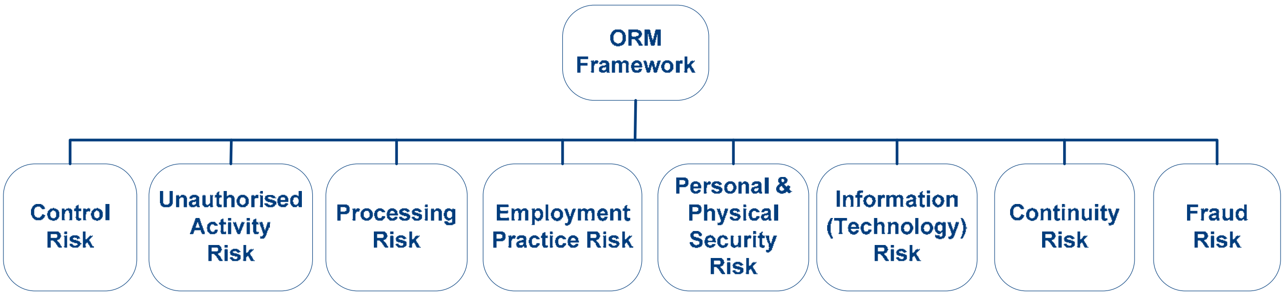
The Non Financial Risk Dashboard (NFRD) is a report, that is standard on the agenda for the meetings of the Management Boards Banking and the Risk Committee. NFRD provides management at all organisational levels with integrated risk information on Operational, Compliance and Legal Risks. ORM, Compliance Risk Management and Legal work closely together to prepare the NFRD, using a consistent approach and risk language. NFRD gives management an overview of key risks based on their own risk tolerance within their business and a clear description of the risks and responses enabling management to better prioritise and to manage operational, compliance and legal risks.

OPERATIONAL RISKS

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the related risk of reputation loss, as well as legal risk whereas strategic risks are not included. Effective operational risk management leads to more stable business processes (including IT systems) and lower operational risk costs. Generic mandatory controls are described in the ORM policy house. Most of the policies have been updated in 2009 and are structured in line with the risk areas. Each policy has one or more minimum standards.

ING recognises the following operational risk policy areas:



- *Control risk* is the risk of loss due to not complying with controls set through governance procedures and/or project management methods. Control risk deals with, for example, identifying potential flaws in the set-up or structure of the governance process, maintaining a proper control and governance structure, having clear roles and responsibilities, an adequate reporting structure, ensuring good risk response on identification of risks. Control risk events typically deal with a deficiency in the governance framework. Control risks can lead to losses incurred due to non-compliance with controls established in connection with items such as governance procedures, new product approval procedures, and/or project management methods. Control risk can stem from improper or insufficient monitoring of entities or activities.
- *Unauthorised activity risk* is the risk of a loss caused by unauthorised employee activities, including -but not limited to- unauthorised approvals or overstepping of authority are considered.
- *Processing risk* is the risk of losses due to human errors or omissions during (transaction) processing caused by unexpected or unforeseen problems. Processing risk deals with the risk of losses due to failed transaction processing or process management. These events are normally not intentional and usually occur when documenting or completing current business transactions.
- *Employment practice risk* is the risk of loss due to actions which are inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims or from diversity /discrimination events.

Risk management (continued)

- *Personal and physical security risk* is the risk of criminal and environmental threats that might endanger the security of ING personnel (within and outside ING locations, while travelling or being expatriated) and ING assets or might have an impact on the ING organisation.
- *Information (Technology) risk* is the risk of loss due to inadequate information security, resulting in a loss of information confidentiality and/or integrity and/or availability. Aspects of information (technology) risks are user access controls, IT resilience, platform security controls, change management controls, sourcing controls, security monitoring controls and fundamental information security controls.
- *Continuity risk* is the risk of events (e.g. natural disasters, power outages, terrorism) leading to a situation that threatens the continuation of business (including people and assets).
- *Internal and external fraud risk* is the risk of loss due to deliberate abuse of procedures, systems, assets, products and/or services of ING by those who intend to deceitfully or unlawfully benefit themselves or others.

Clear and accessible policies and minimum standards are embedded in ING business processes in all business lines. An infrastructure is in place to enable management to track incidents and operational risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing operational risk. ING uses this knowledge (including lessons learned from incidents) to improve the control of key processes.

Organisation of Operational Risk Management
The General Manager Corporate Operational Risk Management (CORM) reports directly to the CRO and is responsible for managing operational risks and developing and establishing the Operational Risk Framework within ING. The General Manager Corporate ORM also establishes and approves the policies and minimum standards, and assists and supports the Board in managing ING's operational risks. The ORM function is organised along functional reporting lines. The Business Line operational risk managers report functionally to the General Manager CORM.

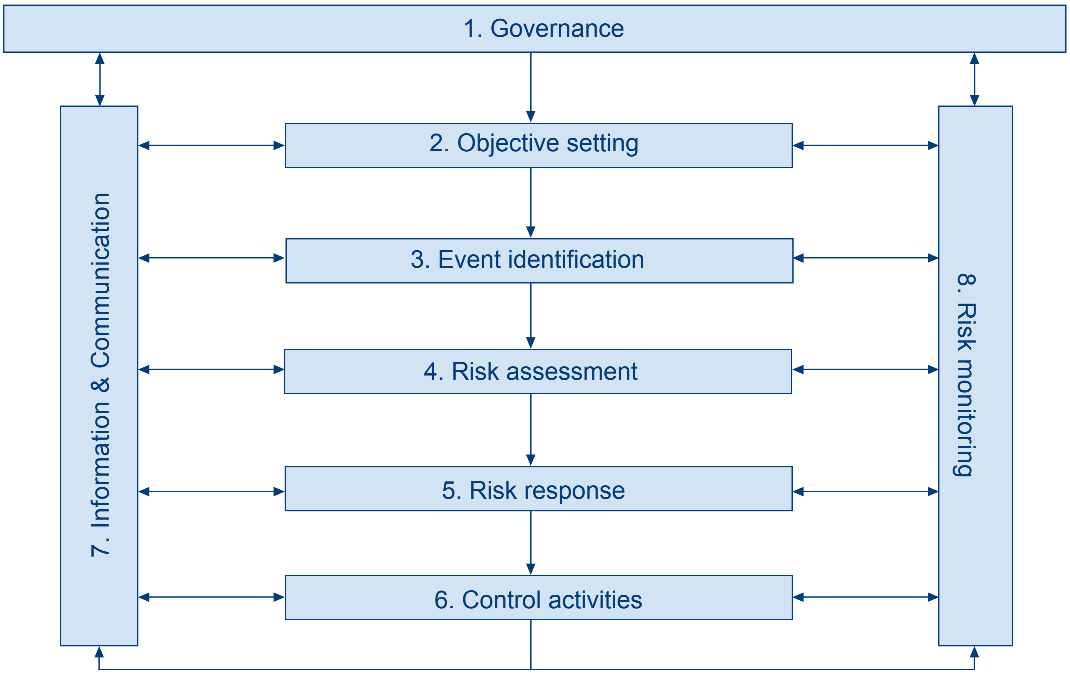
The CORM function consists of functional departments for Operational risks (including policies, systems, SOX testing, capital allocation and reporting), for Information (Technology) risks and for Security & Investigations. The CORM function is responsible for developing and communicating ING's operational risk framework, policies, minimum standards and guidelines. The corporate function advises the Board and senior management, supports the business line ORM staff, monitors the quality of operational risk management and leads the group-wide reporting of operational risks to the ING Group Executive Board.

ORM uses a layered functional approach within business lines to ensure systematic and consistent implementation of the group-wide ORM framework, policies and minimum standards. The local and regional/division ORM Officer has the responsibility to assist local and regional/division management in managing operational risk. The business line ORM officer has a monitoring role in the operational risk management process and manages and supervises all functional activities of the ORM officers in the business line and region/division.

To avoid potential conflicts of interests, it is imperative that the ORM officer is impartial and objective when advising business management on operational risk matters in their business unit or business line. To facilitate this, a strong functional reporting line to the next higher level ORM officer is in place. The functional reporting line has clear accountabilities with regard to objective setting, remuneration, performance management and appointment of new ORM staff.

Risk management (continued)

Operational risk framework
ING has developed a comprehensive framework supporting and governing the process of identifying, mitigating, measuring and monitoring operational risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organisations of the Treadway Commission).



At all levels in the organisation Operational Risk Committees (ORC's) are established that identify, measure and monitor the operational risks of the region or business unit with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity. ORC's, chaired by the business management, steer the risk management activities of the first and second line of defence in their entities. The Operational & Residual Risk Committee approves the operational risk capital model.

IT Risk Governance: IT risk management has become more and more important because of the increasing dependency on IT and the increase of IT risk due to amongst others cybercrime. In 2009 the ING Group Executive Board has established an Executive IT Risk Steering Committees for Banking, to be able to steer and monitor ING's IT Risk Management process and results more closely.

The operational risk appetite within ING is defined as the acceptable and authorised maximum level of risk, in each of the operational risk areas that must be adhered to in order for ING to achieve its business plan within approved budgets. This risk appetite is monitored quarterly through the Non-Financial Risk Dashboard which reports the key risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING, e.g. the structured team approach, scenario analysis, external events inventories, internal incident analysis (e.g. based on information from incident reporting), key risk indicator events and threat scans.

At least once a year business units and departments perform an integrated risk assessment with involvement of other departments such as Operational Risk, Compliance, Legal and Finance.

Based on the results of the risk assessment, response measures must be determined for the identified risks. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction. Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through a global Action Tracking system.

Certain operational risks can best be transferred to the insurance market if risks are high but difficult to mitigate internally. In order to protect ING against financial consequences of uncertain operational events ING has acquired insurance policies issued by third-party insurers with world-wide cover for (Computer) Crime, Professional Liability, Directors and Officers Liability, Employment Practices Liability and Fiduciary Liability. The portion of the risks that ING retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Control activities are defined as the control measures that have been implemented and are maintained. Generic mandatory controls are described in the ORM policy house.

Management at all levels in the organisation periodically need information on their key operational risks (including compliance and legal risks) and mitigating actions. In order to make it easier for management to access this kind of information, business units periodically report through the Non-Financial Risk Dashboard (NFRD).

The yearly objective setting process for both business management and ORM professionals aims to keep improving the management of operational risk throughout ING to ensure that ING stays in control of its current and future operational risks. ING's ORM Framework is further maturing towards an integrated controls framework according to pre-agreed requirements and development stages in the individual business units. This development is measured through the scorecard process. The scorecards are an integral part of ING's operational risk capital model.

The Operational Risk Capital calculation model of ING Bank calculates the amount of capital that is required to absorb unexpected operational risk losses in times of severe stress. The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to local (operational risk) management to better manage operational risk.

Main developments in 2009

Control risk policy

A new Control Risk policy was developed which now provides overall-policy direction for control-risk related areas from ORM, Finance and Legal, such as governance, new product approval, project management, financial reporting, outsourcing and operational control. This policy integrates the control-risk related standards of the contributing functions and is part of ING's efforts to work towards a more integrated risk management.

Fraud risks

Based on the Corporate Anti-Fraud policy each business unit had to complete the implementation of anti-fraud key controls for the identified top three fraud risks. Furthermore fraud patterns and fraud alerts (red flags) had to be identified and communicated to staff. Generic anti-fraud training has been rolled out to ensure that all staff (including management) will be trained. To make the ORM community more streetwise an e-learning training anti-fraud has been developed and rolled out via the ING learning centre.

Information (Technology) risk

ING has fully reviewed and updated its IT risk policy and minimum standards and aligned it with regulatory and (external) international ISO standards. All IT-related staff worldwide were informed about the changes in policy and standards and e-learning is being developed. ING's quarterly monitoring process through NFRD was also aligned with the new policy and standards.

Continued risk mitigation efforts were made in the IT risk domain worldwide as IT is a key resource and enabler for ING businesses. Managing IT risk is amongst ING's key management priorities. The Executive IT Risk Steering Committee is chaired by ING's CEO.

ING developed a Risk Forecasting methodology that shows over time the effects on the risk profile of Business Units from ongoing and intended mitigating actions. In the course of 2009 forecasting has been implemented successfully for the Information (Technology) area.

Continuity risk

A continuity risk forecasting model has been introduced. Through this model, Management can determine if current actions are sufficient to maintain the continuity risks at an acceptable level or if additional mitigation projects are necessary. Furthermore an overall value chain ranking list for critical products and services has been introduced in which management can prioritise supporting activities. Because of the worldwide influenza (H1N1) pandemic outbreak special focus has been put on business continuity planning and crisis management using a realistic scenario of a staff absence of 50%.

COMPLIANCE RISKS

Compliance Risk is defined as the risk of damage to ING's integrity as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies, procedures and ethical standards. In addition to reputational damage, failure to effectively manage Compliance Risk could expose ING to fines, civil and criminal penalties, and payment of damages, court orders and suspension or revocation of licenses, which would adversely impact customers, staff and shareholders of ING.

ING believes that fully embedded Compliance Risk Management preserves and enhances the trust of its customers, shareholders and staff. Being trusted is essential to building sustainable businesses. ING's Business Principles set the foundation for the high ethical standards ING expects of all our business activities.

ING's Business Principles require all staff at every level to conduct themselves, not only in compliance with laws and regulations, but also by acting with integrity, being open and clear, respectful, and responsible.

Clear and practical policies and procedures are embedded in ING business processes in all Business Lines. Systems are in place to enable management to track current and emerging Compliance Risk issues, to communicate these to internal and external stakeholders, and to drive continuous improvement. ING understands that good Compliance Risk Management involves understanding and delivering on the expectations of customers and other stakeholders, thereby strengthening the quality of key relationships.

The Scope of the Compliance Risk Management function
The Compliance Risk Management function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry. The Compliance Risk Management function actively educates and supports the business in managing areas including anti-money laundering, preventing terrorist financing, conflicts of interest, proper sales and trading conduct and protection of customer interest.

ING separates Compliance Risk into four conduct-related integrity risk areas. These are shown below with examples of the sub-risks in each risk area:

Client Related Integrity Risk	Personal Conduct Related Integrity Risk	Organisational Conduct Related Integrity Risk	Financial Services Conduct Related Integrity Risk
• Money laundering • Terrorist financing • Political or reputational exposed person • Client engagements or transactions with (ultra) high risk countries	• Market abuse & personal trading • Breaches of the ING Business Principles or local code of conduct • Outside positions by ING officers • Gifts or entertainment given or received; bribery • External incident reporting	• Organisational conflicts of interest, market abuse and insider trading • Anti-trust/competition law • New or modified products and services (e.g. customer base, design) and governance changes • Agreed sector /industry standards • Regulatory registration and reporting requirements • Third party intermediaries as representatives of ING	• Marketing, sales & trading conduct • Conduct of advisory business • Complaint handling • Transparency of product offerings (e.g. costs, disclosures).

In addition to effective reporting systems, ING has a Whistleblower procedure which encourages staff to speak up if they know of or suspect a breach of external regulations or internal policies or Business Principles.

The Compliance Risk Management function
The Chief Compliance Officer (CCO) reports directly to the Chief Risk Officer who is a member of the Executive Board of ING Group. The CCO is responsible for developing and establishing the company-wide Compliance Risk Management Charter & Framework, establishes the Minimum Standards for managing Compliance Risks and assists and supports the Board in managing ING's Compliance Risks.

ING uses a functional approach within Business Lines to ensure systematic and consistent implementation of the company-wide Charter & Framework, policies, Minimum Standards and related procedures. The Local Compliance Officer has the responsibility to assist local management in managing Compliance Risk within that business unit. The regional or division Compliance Officer has a management and supervisory role over all functional activities of the Compliance Officers in the respective region or division. Reporting functionally into the CCO, the Business Line Compliance Officers perform this task for their Business Line and also provide leadership and overall direction to the regional or divisional Compliance Officers.

To avoid potential conflicts of interest, it is imperative that the Compliance Officers are impartial and objective when advising business management on Compliance Risk in their Business Unit, region, division or Business Line. To facilitate this, a strong functional reporting line to the next higher level Compliance Officer is in place. The functional reporting line has clear accountabilities relating to objective setting, remuneration, performance management and the appointment of new Compliance Risk Management staff as well as obligations to veto and escalate.

Compliance Risk Management Policies and Tools
The responsibility of the Compliance Risk Management function is, in accordance with the Charter and Framework, to proactively:
- Identify, assess, monitor and report on the Compliance Risks faced by ING;
- Assist, support and advise management in fulfilling its responsibilities to manage Compliance Risks;
- Advise any employee or officer with respect to their (personal) obligations to manage Compliance Risks.

Risk management (continued)

The Framework consists of three key components: the Compliance Chart, an Advisory component and the Scorecard as illustrated below.

Compliance Risk Management Framework

1. The Chart
The Chart is an output from five key activities carried out in accordance with the requirements of the Framework:

A. Identification of Compliance Risk Obligations;
B. Risk Assessment;
C. Compliance Risk Mitigation (includes Training and Education);
D. Compliance Risk Monitoring (includes Action Tracking);
E. Compliance Risk Reporting (includes Incident Management).

2. Advisory
Compliance Officers proactively advise their CEO, Management, local boards and committees, the next higher level Compliance Officer, and employees on Compliance Risk, responsibilities, obligations and concerns.

The Compliance Risk Management function participates in the Operational Risk Management Scorecard process which measures how the risk management framework including Compliance Risk Management is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented.

3. Scorecard
The Compliance Risk Management function works with the Operational Risk Management Scorecard process to evaluate how well the Compliance Risk Management Framework is embedded in each business. Scoring is based on the ability of the business unit to demonstrate that the required policies and procedures are implemented. The scoring indicates the level of control within the business units and the result is integrated with the Operational Risk Management results into ING's Dutch Central Bank approved regulatory capital model (AMA).

Extra-territorial regulations
As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. ING Bank N.V. has in 2009 liquidated the Netherlands Caribbean Bank, which had been a 100% owned subsidiary since 2007.

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions ING Bank has undertaken to complete the global implementation of enhanced compliance and risk management procedures, and to monitor the implementation of such procedures on an ongoing basis, as instructed by DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including with respect to ongoing information requests and it is not possible to predict at this time the outcome thereof. Financial institutions continue to experience close scrutiny by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money-laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or perceived failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING's licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING's reputation and financial condition, and accordingly ING's primary focus is to support good business practice through its Business Principles and group policies.

Main developments in 2009

Building Customer Trust

Group Compliance Risk Management and Corporate Operational Risk Management have worked closely together with the business lines to strengthen ING's Product Approval and Review Process. This work demonstrates ING's commitment to treating customers fairly and ensuring alignment with the various regulatory initiatives including the Dutch Banking Code, new FSA regulations in the UK and US President Obama's white paper on financial regulatory reform.

Regulator relationships

Group Compliance Risk Management continued to invest in pro-active relationships with regulators in the jurisdictions where ING operates, striving for an open approach and cooperation in identifying and mitigating compliance risks for ING.

Further embedding of Financial Economic Crime & Extra-Territorial Laws

ING's commitment to prevent any involvement in criminal activity was reinforced by the review and updating of the Financial Economic Crime and Extra-Territorial policies.
In keeping with our obligation to provide consistent relevant education a series of specialised face-to-face training sessions were held for over 250 Money Laundering Reporting Officers. These global events not only provided information on the updated policies but also gave a valuable opportunity to share best practices.

Learning

The 'Leading Compliance Risk Management in your business' workshop targeted the top four echelons of ING Bank management worldwide. It helped provide over 7,000 Managers with a deeper understanding of the effective embedding of ING's Three Lines of Defence model and the strategic value of Compliance Risk Management. Managers also learned in practical steps what actions they can take to strengthen the management of Compliance Risk as well as how to apply the Framework and tools.

Additionally over 400 Compliance Officers world-wide completed a five day face-to-face Compliance Officer training focused on raising technical knowledge and enhancing personal effectiveness.

Compliance risk reporting - Quality Assurance – Challenging Process

The embedding of policies in all ING's Business Units is vital to the effectiveness of ING's Compliance Risk Management strategy.

To ensure that ING has clarity on the status of policy embedding and what actions are planned or in place to ensure all policies are operationally effective, all ING Business Units produce quarterly progress reports.

To ensure the quality of the policy embedding data, Group Compliance Risk Management has formalised a robust Risk Challenging and verification process. The process is lead by the Chief Compliance Officer and is conducted with members of the Business units and the Group Compliance Reporting and Analytics team.

Communication

Communication in 2009 focused on delivering clear messages and useable knowledge to the Compliance Risk Management community through vehicles such as E-Bulletins, workshops and poster campaigns. The Group Compliance Risk Management intranet site was re-designed to provide all employees with an easier more engaging tool to find reference material, policies and Compliance Risk Management news.

When communicating to all ING's' employees, Group Compliance Risk Management embraced all forms of media from high tech intranet to engaging cartoons that convey the key messages on how to apply compliance risk management policies in their work environment.

MODEL DISCLOSURES

The risk profile of ING Bank, as described in the risk management section is captured by the key risk metric Economic Capital.

The analyses set out in the risk management section provide a valuable guide to investors as to the risk profile of ING Bank. Users of the information should bear in mind that the analyses provided are forward looking measures that rely on assumptions and estimates of future events, some of which are considered extreme and therefore unlikely to occur. In the normal course of business ING continues to develop, recalibrate and refine the various models that support risk metrics, which may result in changes to the risk metrics as disclosed.

This model disclosure section explains the methodologies used to determine Economic Capital for ING Bank. The risk models used for the ING Bank Economic Capital calculations are reviewed on a periodical basis and validated by the internal Model Validation department. The ING Bank Economic Capital calculation is also used as part of the Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) that is performed regularly by the Dutch Central Bank.

ECONOMIC CAPITAL

Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected loss at a given confidence level. Specific measurement by risk type is described in greater detail in the separate risk type sections; i.e. credit and transfer and operational risk as well as market and business risk bank.

This Economic Capital definition is in line with the net market value (or surplus) definition. The process of Economic Capital modelling enables ING Bank to allocate Economic Capital to the business units and support risk-adjusted performance measurement (RAROC).

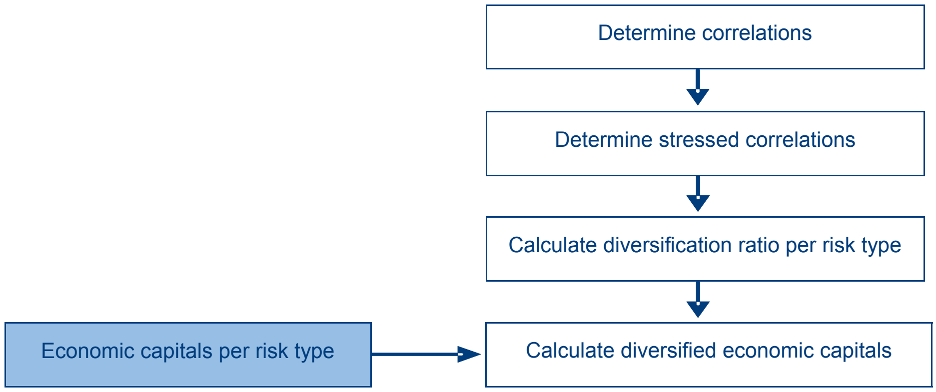
The following fundamental principles and definitions have been established for the model:

- ING Bank uses a one-sided confidence level of 99.95% - consistent with ING's target debt rating (AA) - and a one-year time horizon to calculate Economic Capital;
- It is assumed that all currently known measurable sources of risk are included;
- The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data. There is one set of best-estimate assumptions for each risk type to be used at ING Bank;
- The Economic Capital calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The Economic Capital calculations reflect known embedded options and the influence of client behaviour in banking products;
- The Economic Capital calculations are on a pre-tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels;
- The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

Further details are provided in the relevant model descriptions for each risk area.

Aggregation model

The main processes executed in the ING Bank Economic Capital aggregation model are depicted in the flowchart below. The white boxes show the processes performed by the model while the shaded box indicates inputs from other corporate risk departments.



As a foundation the correlations in the risk dashboard are applied based on a 90% confidence level, i.e. they correspond to the correlations observed in the 10% largest downward movements (a ‘1 in 10’ event). As shown in the flow-chart, these correlation factors are stressed upwards where necessary to account for potential measurement inaccuracy in extreme events due to limited historic data observations. For aggregating other risk (business and operational), expert opinion is used.

The Economic Capital for ING Bank involves the aggregation of the underlying Economic Capitals of five risk types, namely credit, transfer, market, operational and business risks (latter two also referred to as other risks). These risk types are aggregated to provide a total diversified ING Bank Economic Capital by applying the variance-covariance approach with a 5 x 5 inter-risk correlation matrix.

For allocation of Economic Capital to units and products, diversification factors are calculated for each risk type. These factors are applied consistently throughout ING Bank. The level of diversification benefit is dependent on both the inter-risk correlations as well as the relative size of the undiversified Economic Capital exposure for each risk type.

Reporting Framework

For each business unit and product line, the gross Economic Capital for each risk type is delivered to MISRAROC - the financial data warehouse for RAROC and Economic Capital reporting of ING Bank. The net Economic Capital figures are calculated by taking the product of the gross Economic Capital and one minus the diversification factor. Total Economic Capital is calculated as the sum of the net Economic Capital for each risk type at all reporting levels.

CREDIT AND TRANSFER RISK

Economic Capital for credit risk and for transfer risk is the portion of Economic Capital held to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios.

Economic Capital for credit risk and for transfer risk are calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING’s desired credit rating.

ING uses a series of credit risk models that can be grouped into three principal categories: Probability of Default (PD) models, which measure the standalone creditworthiness of individual debtors; Exposure at Default models (EAD) which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default Models (LGD), which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. Collectively, ING uses over 100 models for credit risk. The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation department (MV), in order to determine the continued viability or need to adjust each individual model.

The Economic Capital formula for credit and transfer risks relies on seven different risk drivers. In addition to the PD, EAD, and LGD models mentioned above, the formula also considers the industry and the country of the debtor as well as the remaining term of the respective underlying transactions. Lastly, the formula considers the correlation of the individual transactions to the portfolio as a whole. ING uses Monte Carlo simulation tools to determine certain parameters which are then applied to individual transactions in determining the level of Economic Capital related to credit and transfer risk in a bottom up approach. The correlations, which are updated quarterly, are determined at a business line level, and diversification effects are applied at the transactional level.

The underlying formulas and models that are used for determining Economic Capital for credit and transfer risk are similar to those used for determining the level of regulatory capital that is required under Basel II (Pillar 1). Despite the fact that the same underlying formulas are used, (internal) Economic Capital and regulatory capital are not the same, due to various specific rules imposed by Basel II, such as regulatory caps and floors, and the use of the standardised approach for certain portions of ING’s portfolio. These differences are permitted under the Basel II guidelines.

Risk management (continued)

The table below summarises different capital measures used for different purposes and shows the difference in key elements and purposes.

Credit Risk Capital Measurements	Methodology	Location	Confidence level	Inputs	Purpose
Regulatory Capital	Basel II Formula	Vortex Basel Engine ('VBE') in the Central Risk Database	99.90%	Basel II model outputs	RWA
Economic Capital	Risk Adjusted Capital (RAC) Closed Algebraic Formula	Vortex Risk Engine ('VRE') in the Central Risk Database	99.95%	Basel II model outputs excluding Basel II caps and floors, maturity, repayment schedules, correlation factors, migration matrix. Some inputs come from EC-MC portfolio calculator but with 99.95% confidence level country and industry.	Pricing, Economic Capital for credit at transactional level and above
Capital and earnings at risk	Monte Carlo simulation based on aggregate portfolio ('EC-MC portfolio calculator')	Stand alone tool using same data from Central Datawarehouse as VRE	90.00%	Basel II model outputs excluding Basel II caps and correlation factors, migration matrix country and industry.	Risk Dashboard at Line of Business Level and above

With regard to methodology, the EC-MC Portfolio calculator provides a sophisticated and consistent framework to measure capital numbers for credit risk. Because of its complexity and required calculation time the EC-MC Portfolio calculator is more suited for portfolio calculation, rather than to be implemented in an environment requiring real time reporting at a transactional level for day-to-day management, pricing of new transactions and limit setting. As a result, Economic Capital figures are based on RAC figures that are derived from the EC-MC Portfolio calculator but are not fully equivalent. The main characteristics are:
- RAC is calculated at facility level with closed algebraic formulas rather than from a Monte Carlo Simulation. The RAC algebraic formula includes parameters which incorporate the impact of portfolio dynamics, such as correlations and diversification effects. These parameters are derived through a regression of the outputs of the EC-MC portfolio calculator;
- Due to its proprietary nature the inputs in the EC-MC Portfolio calculator are subject to certain technical caps and floors (LGD/EAD is constant and PD migration matrix is capped) which are not applicable in RAC. Also, due to the implemented mathematical routines the EC-MC portfolio calculator is subject to a minimum Probability of default (PD) and maximum tenor, which are not applicable in RAC.

Additionally the banking operations use the RAC model for determining the optimal pricing on (new) lending transactions in order to ensure that ING meets its desired RAROC returns.

During 2009, the Economic Capital levels for credit and transfer risk were calculated on a daily basis for most of the Commercial Bank and ING Direct investment portfolios and for the SME portfolios within the Retail banking operations. For consumer loans, residential mortgages and credit cards, the calculations are made on a monthly basis. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk
All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Steering Committee (MDSG) and MV. In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDSG and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organisation.

MARKET RISK
General
Economic Capital for market risk is the Economic Capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates and Real Estate prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Measurement
Economic capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represents extreme events and ING's target rating. The Economic Capital for market risk for non trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include Real Estate risk, foreign exchange rate risk, equity price risk, interest rate risk and model risks.

Real Estate price risk includes both the market risks in the investment portfolio and the development risk of ING Real Estate. The Real Estate price risk for ING Real Estate is calculated by stressing the underlying market variables. The stress scenarios at a portfolio level take into account all diversification effects across regions and Real Estate sectors. Also, the leverage of participations in the Real Estate investment funds is taken into account.

For the Real Estate development process, in addition to market sale price risk, the risk drivers of market rent, investor yield and construction delays are taken into account. Furthermore the risk model differs for each development phase (i.e., research, development, and construction) to appropriately reflect the risk taken in each phase. Using correlations, all risk drivers, and stages are used to calculate a possible market value loss representing the Economic Capital for market risk for the development portfolio.

For the direct market risks, the actual VaR (measured at a 99% confidence interval, a one day holding period and under the assumption of an expected value of zero) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account like the occurrence of large market movements (events) and management interventions.

The economic capital for the equity investments is calculated based on the ECAPS system. Using Monte-Carlo simulation, the model generates 20,000 possible 'states-of-the-world', by randomly simulating all risk drivers simultaneously. For each state-of-the-world, the market value is recalculated and the 99.95% worst-case change in market value is the Economic Capital level.

Economic Capital for market risk for the mortgage portfolios within ING Retail Banking and ING Commercial Banking is calculated for embedded option risk (e.g. the prepayment option and offered rate option in mortgages). The embedded options are hedged using a delta-hedging methodology, leaving the mortgage portfolio exposed to convexity and volatility risk. The Economic Capital model for market risk is based on the estimated 99% confidence adverse interest rate change.

While aggregating the different Economic Capital market risk figures for the different portfolios, diversification benefits are taken into account as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, evaluating the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistical sound manner with the available historical data. The Economic Capital figures disclosed by ING Bank are a best effort estimate based on available data and expert opinions.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes the risk of reputation loss, as well as legal risk, whereas strategic risks are not included. While operational risk can be limited through management controls and insurance, operational risk incidents may have a substantial impact on the profit and loss account of financial institutions.

The capital model, an actuarial model, consists of a combination of three techniques:

- Loss Distribution approach (LDA), which applies statistical analysis to historical loss data;
- Scorecard approach, which focuses on the quality of risk control measures within a specific business unit;
- 'Bonus/Malus' approach, which focuses on the actual operational incidents of a specific business unit.

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital amount based on the size and the risk appetite of an institution and its business units. This approach estimates the likely (fat-tailed) distribution of operational risk losses over some future horizon for each combination of business line and loss event type. The main characteristic of the LDA is the explicit derivation of a loss distribution, which is based on separate distributions for event frequency (Poisson) and severity (Inverse Gaussian). The model uses both external and internal loss data above one million EUR.

The calculation of operational risk capitals for the units follows five basic principles:

- Principle 1: If the world gets riskier, the business units need more Economic Capital;
- Principle 2: If a business unit's size increases, so does its capital;
- Principle 3: If the business of a business unit is more complex, it needs more capital;
- Principle 4: If the level of control of a business unit is higher, it needs less capital;
- Principle 5: If the business units' losses from internal incidents exceed the level of expected loss accounted for in the first four framework principles, it needs more capital.

The capital calculated according to the first three is 'generic': if two business units operate in the same markets and have the same size, the resulting capital will be the same. The specific capital adjustments mentioned below adjust the generic capital of a specific institution to its specific operational risk capital.

Scorecard approach (principle 4)
The scorecard adjustment reflects the level of quality of control in a specific institution. Scorecards aim to measure the quality of key operational risk management processes. The scorecard procedure concerns questions that require quantitative data, qualitative judgements or simple yes/no questions (e.g. indicating compliance with certain ING policies). The scorecards are completed by all business units using self-assessment and reviewed by an expert panel who determines the final score. The set of scorecards then leads to an increase or decrease of the capital of the specific institution.

'Bonus/Malus' approach (principle 5)
Units are assigned additional capital in case losses from internal incidents exceed the level of expected losses that have been accounted for in the LDA. When the actual loss of a business unit is lower than expected based on a comparison with external losses of peers, the capital of the related business unit is reduced.

BUSINESS RISK
Business Risk for ING Bank has been defined as the exposure to value loss due to fluctuations in volumes, margins and costs. It is the risk inherent to strategy decisions and internal efficiency. The calculation of Business Risk Capital is done by calculation of three components, (i) volume/margin risk, (ii) expense risk, and (iii) client behaviour risk.
(i) Volume/Margin risk relates to volumes and margins developing adversely compared to their expected levels.
(ii) Expense risk relates to the (in)flexibility to adjust expenses, when that is needed.
(iii) Client behaviour risk relates to clients behaving differently than expected and the effect that this behaviour can have on customer deposits and mortgage pre-payments. The client behaviour risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities.

Each of these components is calculated separately, and combined to one business risk figure via the variance-covariance methodology. For the calculation of EaR, CaR and EC the same methodology is used, with two differences. The first difference is the confidence interval used for EaR and CaR is 90%, while for EC this is 99.95%. The second difference is that the Volume/Margin component is used for EaR, but not for CaR and EC.

Capital management

amounts in millions of euros, unless stated otherwise

OBJECTIVES

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalisation of ING Group entities at all times in order to manage the risk associated with ING's business activities. This involves the management, planning and allocation of capital within ING Group. ING's Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, ING Insurance and ING Bank. The rating objective for these three entities is AA. Capital Management takes into account the metrics and requirements of regulators (EU Solvency, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity) and internal models such as the economic capital and market value balance sheet approach for ING Insurance including Available Financial Resources (AFR).

ING applies the following main capital definitions for ING Bank:

- Tier 1 capital is defined as shareholders' equity including core Tier 1 securities plus hybrid capital less certain prudential filters and deductible items. Tier 1 and BIS capital divided by risk weighted assets equals the Tier 1 and BIS ratio respectively. Core Tier 1 capital is equal to Tier 1 capital excluding hybrid capital.

In prior years, ING also measured AFR for ING Bank and ING Group. However, during 2009, the management focus shifted mainly to regulatory and rating agency metrics for ING Bank (core Tier 1, Tier 1, BIS) and ING Group (debt/equity). For ING Insurance, AFR continues to be important but is a lower priority than in previous years.

DEVELOPMENTS

In 2009 Capital Management's main focus was to strengthen the capital position of ING Group, ING Bank and ING Insurance. To achieve this ING Group did not pay a dividend in 2009 and launched a rights issue in November of EUR 7.5 billion. The proceeds of the rights issue were largely used to repay EUR 5 billion of the core Tier 1 securities issued in November 2008 to the Dutch State and to provide for additional pre-tax EUR 1.3 billion future payments to the Dutch State for the Illiquid Assets Back-up Facility (IABF) as agreed with the European Commission.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Letter (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Capital Request Policy. For the Corporate Treasury there are many policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

The above capital definitions and policies have been approved by the ING Group Executive Board or delegated authorities.

PROCESSES FOR MANAGING CAPITAL

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Bank, ING Insurance and ING Group and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly Capital Adequacy Assessment Report which is presented to both the ING Group Finance and Risk Committee and the ING Group Executive and Supervisory Boards. The main objective of the assessment is to ensure that ING Group as a whole has sufficient capital relative to its risk profile both in the short and the medium term.

CAPITAL ADEQUACY ASSESSMENT

As at 31 December 2009 and 2008, ING Bank met all key target capital ratios and metrics and regulatory requirements. As at 31 December 2009 and 2008, ING Bank is adequately capitalised in relation to its risk profile and strategic objectives.

Capital management (continued)

REGULATORY REQUIREMENTS

ING Bank

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank (DNB) for supervisory purposes. The minimum Tier 1 ratio is 4% and the minimum total capital ratio (known as the BIS ratio) is 8% of all risk-weighted assets.

BASEL II

As of 2008 ING Bank publishes risk weighted assets (RWA), Tier 1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING publishes the minimum required capital level according to Basel II and according to the Basel I floor. As of 2009 the Basel I floor is based on 80% of Basel I RWA. The minimum requirements according to Basel II and Basel I are both compared to total BIS available capital according to Basel II.

Capital position of ING Bank

	2009	2008
Shareholders' equity (parent)	30,222	22,889
Minority interests	960	1,198
Subordinated loans qualifying as Tier 1 capital [(1)]	8,057	7,085
Goodwill and intangibles deductible from Tier 1	–1,636	–1,636
Deductions Tier 1	–1,073	–1,040
Revaluation reserve [(2)]	–2,515	3,523
Available capital – Tier 1	34,015	32,019
Supplementary capital – Tier 2 [(3)]	11,789	12,910
Available Tier 3 funds		
Deductions	–1,073	–1,040
BIS capital	44,731	43,889
Risk-weighted assets [(4)]	332,375	343,388
Tier 1 ratio [(4)]	10.23%	9.32%
BIS ratio [(4)]	13.46%	12.78%
Required capital based on Basel I floor [(5)]	28,709	34,369
BIS ratio based on Basel I floor [(5)]	12.46%	10.22%

(1) Subordinated loans qualifying as Tier 1 capital have been placed by ING Groep N.V. with ING Bank N.V.
(2) Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate.
(3) Includes eligible lower Tier 2 loans and revaluation reserves equity and real estate revaluations removed from Tier 1 capital.
(4) Based on Basel II as of 2008.
(5) Using 80% and 90% of Basel I Risk Weighted Assets in 2009 and 2008 respectively. In case a 80% floor would have been used in 2008, the required capital would have been EUR 30,550 million and the BIS ratio based on Basel I floor 11.49%.

Capital management (continued)

Main credit ratings of ING Bank at 31 December 2009 [(1)]

	Standard & Poor's	Moody's	Fitch
ING Bank			
- short term	**A-1**	**P-1**	**F1+**
- long term	**A+ stable**	**Aa3 negative**	**A+ stable**
- financial strength		**C+**	

(1) Moodies changed the long term outlook from ING Group and ING Bank from negative to stable on 2 February.

ING's Bank long-term credit ratings and outlooks are shown in the table above. Each of these ratings and outlooks reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

AUTHORISATION OF ANNUAL ACCOUNTS

Amsterdam, 15 March 2010

THE SUPERVISORY BOARD
Peter A.F.W. Elverding, *chairman*
Jeroen van der Veer, *vice-chairman*
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Henk W. Breukink
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Koos (J.) V. Timmermans, *CRO*
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Eli P. Leenaars
Hans van der Noordaa

Parent company balance sheet of ING Bank

as at 31 December before appropriation of result

amounts in millions of euros	2009	2008
ASSETS		
Cash and balances with central banks 1	1,650	5,807
Short-dated government paper 2	2,022	5,948
Amounts due from banks 3	91,405	256,589
Loans and advances to customers 4	282,824	136,197
Debt securities 5		
– available-for-sale	15,232	16,800
– held-to-maturity		
– trading	20,209	18,537
Equity securities 6		
– available-for-sale	3,319	1,546
– trading	1,251	813
Investments in group companies 7	26,478	25,410
Investments in associates 8	455	437
Intangible assets 9	1,467	1,015
Equipment 10	557	42
Other assets 11	47,622	67,793
Total assets	494,491	536,934
LIABILITIES		
Amounts due to banks 12	101,170	255,529
Customer deposits and other funds on deposit 13	190,112	78,215
Debt securities in issue	86,200	60,871
Other liabilities 14	63,572	96,447
General provisions 15	1,375	652
Subordinated loans 16	21,840	22,331
Total liabilities	464,269	514,045
EQUITY		
Share capital	525	525
Share premium	16,542	16,392
Legal reserves (1)	2,247	–4,025
Other reserves	10,224	9,225
Unappropriated result	684	772
Total equity 17	30,222	22,889
Total liabilities and equity	494,491	536,934

(1) Legal reserves includes Share of associates reserve of nil (2008: EUR 128 million), Currency translation reserve of EUR –241 million (2008: EUR –475 million) and Revaluation reserve of EUR 2,488 million (2008: EUR –3,678 million).

References relate to the notes starting on page 140. These form an integral part of the parent annual accounts.

Parent company profit and loss account of ING Bank

for the years ended 31 December

amounts in millions of euros	**2009**	2008
Result of group companies after taxation	**520**	2,142
Other results after taxation	**164**	–1,370
Net result	**684**	772

Parent company statement of changes in equity of ING Bank

for the years ended 31 December

amounts in millions of euros	Share capital	Share premium	Share of associates reserve	Currency translation reserve	Revaluation reserve	Other reserves	Total
Balance as at 1 January 2008	525	9,192	69	–18	2,283	13,460	25,511
Unrealised revaluations after taxation				173	–6,928		–6,755
Realised gains/losses transferred to profit and loss					1,523		1,523
Changes in cash flow hedge reserve					–556		–556
Exchange rate differences				–630			–630
Other			59			–52	7
Total amount recognised directly in equity			59	–457	–5,961	–52	–6,411
Net result						772	772
			59	–457	–5,961	720	–5,639
Employee stock options and share plans						67	67
Dividend						–4,250	–4,250
Capital injection		7,200					7,200
Balance as at 31 December 2008	525	16,392	128	–475	–3,678	9,997	22,889
Unrealised revaluations after taxation				**–99**	**5,633**		**5,534**
Realised gains/losses transferred to profit and loss					**877**		**877**
Changes in cash flow hedge reserve					**–344**		**–344**
Exchange rate differences				**333**			**333**
Other			**–128**			**169**	**41**
Total amount recognised directly in equity			**–128**	**234**	**6,166**	**169**	**6,441**
Net result						**684**	**684**
			–128	**234**	**6,166**	**853**	**7,125**
Employee stock options and share plans						**58**	**58**
Capital injection		**150**					**150**
Balance as at 31 December 2009	**525**	**16,542**		**–241**	**2,488**	**10,908**	**30,222**

An amount of EUR 150 million (2008: EUR 7,200 million) additional share premium was received from ING Group to strengthen solvency.

Other reserves include Retained earnings and Unappropriated result.

Accounting policies for the parent company balance sheet and profit and loss account of ING Bank

BASIS OF PRESENTATION

The parent company accounts of ING Bank are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account. Investments in group companies and investments in associates are recognised at net asset value with goodwill, if any, recorded under intangible assets.

The profit and loss account has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

A list containing the information referred to in Section 379 (1), Book 2, of the Dutch Civil Code has been filed with the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2, of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserve of the associates are reflected in the Share of associates reserve, which forms part of Shareholders' equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with ING Bank accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in Other reserves, which forms part of Shareholders' equity.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates reserve.

As of 1 January 2009, ING Bank Nederland NV and Postbank NV merged into ING Bank NV. As a result of these mergers, the balance sheet and profit and loss account of ING Bank Nederland NV and Postbank NV are, as from 2009, an integrated part of the ING Bank NV parent company balance sheet and profit and loss account.

Notes to the parent company balance sheet of ING Bank
amounts in millions of euros, unless stated otherwise

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS
Amounts held at central banks amount to EUR 955 million (2008: EUR 5,706 million).

2 SHORT-DATED GOVERNMENT PAPER
Short-dated government paper includes international government paper amounting to EUR 1,710 million (2008: EUR 2,302 million) for the company.

3 AMOUNTS DUE FROM BANKS

Amounts due from banks	2009	2008
Non-subordinated receivables from		
Group companies	**57,301**	215,797
Third parties	**31,780**	38,643
	89,081	254,440
Subordinated receivables from		
Group companies	**2,090**	2,149
Third parties	**234**	
	91,405	256,589

As at 31 December 2009, amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 17,144 million (2008: EUR 20,554 million).

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers – subordinated and non-subordinated	2009	2008
Non- subordinated receivables from		
ING Groep N.V.	**572**	1,280
Group companies	**77,397**	73,266
Third parties	**204,855**	61,651
	282,824	136,197

As at 31 December 2009, assets held under finance lease contracts amounted to EUR 44 million (2008: nil).

As at 31 December 2009, the receivables included in Loans and advances to customers that are part of the trading portfolio amounted to EUR 9,585 million (2008: EUR 17,879 million).

Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 11,016 million (2008: EUR 17,849 million) for the company.

5 DEBT SECURITIES

Debt securities by issuer	2009	2008
Public sector	**26,743**	24,423
Other	**8,698**	10,914
	35,441	35,337

Debt securities analysed by listing	2009	2008
Listed	**33,791**	31,867
Unlisted	**1,650**	3,470
	35,441	35,337

Notes to the parent company balance sheet of ING Bank (continued)

Debt securities – subordinated and non-subordinated		
	2009	2008
Non-subordinated debt securities issued by		
Associates	**170**	142
Third parties	**34,973**	35,157
	35,143	35,299
Subordinated debt securities issued by		
Associates	**63**	38
Third parties	**235**	
	35,441	35,337

Changes in debt securities (available-for-sale)		
	2009	2008
Opening balance	**16,800**	16,234
Additions	**6,131**	8,480
Amortisation	**10**	5
Changes in the composition of the group	**523**	61
Gains/(losses) from change in fair value	**267**	232
Provision for impairment	**–83**	–139
Disposals and redemptions	**–8,555**	–7,894
Exchange rate differences	**137**	–179
Other changes	**2**	
Closing balance	**15,232**	16,800

As at 31 December 2009, the cost of the trading debt securities amounted to EUR 20,209 million (2008: EUR 18,537 million).

As at 31 December 2009, an amount of EUR 13,622 million (2008: EUR 14,413 million) was expected to be settled after more than one year from the balance sheet date.

Debt securities temporarily sold in repurchase transactions amounts to EUR 12,738 million as at 31 December 2009 (2008: EUR 15,857 million).

Borrowed debt securities are not recognised in the balance sheet and amount to nil (2008: nil) as at 31 December 2009.

6 EQUITY SECURITIES

Equity securities analysed by listing		
	2009	2008
Listed	**4,410**	2,181
Unlisted	**160**	178
	4,570	2,359

Notes to the parent company balance sheet of ING Bank (continued)

Changes in equity securities (available-for-sale)		
	2009	2008
Opening balance	**1,546**	3,175
Additions	**219**	247
Changes in the composition of the group		45
Gains/(losses) from change in fair value	**1,598**	–1,497
Provision for impairments	**–38**	–238
Disposals	**–2**	–341
Exchange rate differences	**–4**	64
Other changes		91
Closing balance	**3,319**	1,546

The cost or purchase price of the shares in the trading portfolio approximates their fair value. As at 31 December 2009, the cost or purchase price of shares in the available-for-sale portfolio was EUR 2,364 million lower (2008: EUR 615 million lower) than the carrying amount.

7 INVESTMENTS IN GROUP COMPANIES

Investments in group companies				
	Interest held (%)	**Balance sheet value**	Interest held (%)	Balance sheet value
		2009		2008
ING België N.V.	**100**	**10,528**	100	9,460
ING Direct N.V.	**100**	**5,305**	100	774
ING Financial Holdings Corporation	**100**	**876**	100	818
ING Vastgoed Management Holding B.V.	**100**	**1,578**	100	2,598
ING Bank Slaski S.A.	**75**	**858**	75	749
ING Bank A.S.	**100**	**909**	100	813
ING Lease Holding N.V.	**100**	**1,213**		
ING Bank Nederland N.V.			100	5,906
Other (including financing companies)		**5,211**		4,292
		26,478		25,410

As at 31 December 2009, Investments in group companies included credit institutions of EUR 20,231 million (2008: EUR 20,092 million). As at 31 December 2009, listed investments in group companies amounted to EUR 909 million (2008: EUR 749 million).

Changes in investments in group companies		
	2009	2008
Opening balance	**25,410**	27,129
Additions		463
Repayment of capital injection	**–370**	
Revaluations	**4,848**	–4,412
Results from group companies	**520**	2,142
Dividends received	**–652**	–1,442
Capital contribution	**290**	2,136
Disposals	**–11**	–30
Mergers and liquidations	**–3,922**	–171
Exchange rate differences	**353**	–387
Other changes	**12**	–18
Closing balance	**26,478**	25,410

8 INVESTMENTS IN ASSOCIATES

Investments in associates				
	Interest held (%)	**Balance sheet value**	Interest held (%)	Balance sheet value
		2009		2008
TMB Public Company Limited	**25**	**384**	25	372
Other		**71**		65
		455		437

Notes to the parent company balance sheet of ING Bank (continued)

Changes in associates		
	Investments in associates	
	2009	2008
Opening balance	**437**	452
Additions	**18**	9
Share of results	**–7**	9
Dividends received		–29
Disposals		–3
Exchange rate differences	**3**	–39
Other changes	**4**	38
Closing balance	**455**	437

9 INTANGIBLE ASSETS

Changes in intangible assets								
	Goodwill		Software		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Opening balance	**859**	1,035	**8**	9	**148**		**1,015**	1,044
Additions		31	**162**	4			**162**	35
Changes in the composition of the group			**521**	1		218	**521**	219
Depreciation			**–195**	–5	**–26**	–30	**–221**	–35
Impairments					**–4**		**–4**	
Exchange rate differences	**–5**	–207			**–1**	–40	**–6**	–247
Other changes	**–1**		**2**	–1	**–1**			–1
Closing balance	**853**	859	**498**	8	**116**	148	**1,467**	1,015

10 EQUIPMENT

Changes in equipment		
	2009	2008
Opening balance	**42**	34
Additions	**201**	22
Changes in the composition of the group	**458**	3
Depreciation	**–133**	–13
Disposals	**–14**	–1
Exchange rate differences		–3
Other changes	**3**	
Closing balance	**557**	42
Gross carrying amount as at 31 December	**1,329**	138
Accumulated depreciation as at 31 December	**–772**	–96
Net book value	**557**	42

11 OTHER ASSETS

Other assets by type		
	2009	2008
Derivatives	**32,776**	54,617
Deferred tax assets	**276**	86
Income tax receivable	**40**	847
Accrued interests and rents	**8,980**	10,396
Other accrued assets	**215**	74
Pension asset	**2,029**	276
Other receivables	**3,306**	1,497
	47,622	67,793

As at 31 December 2009, an amount of EUR 2,474 million (2008: EUR 1,397 million) was expected to be settled after more than one year from the balance sheet date.

Notes to the parent company balance sheet of ING Bank (continued)

LIABILITIES AND EQUITY

12 AMOUNTS DUE TO BANKS

Amounts due to banks by group companies and third parties	2009	2008
Group companies	**40,272**	154,455
Third parties	**60,898**	101,074
	101,170	255,529

13 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit by group companies and third parties	2009	2008
Group companies	**25,101**	18,100
Third parties	**165,011**	60,115
	190,112	78,215

Customer deposits and other funds on deposit by type	2009	2008
Savings accounts	**56,696**	2,244
Credit balances on customer accounts	**54,461**	4,197
Corporate deposits	**64,438**	52,821
Other	**14,517**	18,953
	190,112	78,215

14 OTHER LIABILITIES

Other liabilities	2009	2008
Derivatives	**35,600**	57,097
Trading liabilities	**14,588**	13,803
Accrued interest	**10,237**	22,100
Costs payable	**573**	329
Income tax payable	**154**	60
Other taxation and social security contribution	**82**	68
Other amounts payable	**2,338**	2,990
	63,572	96,447

As at 31 December 2009, an amount of EUR 1,648 million (2008: EUR 1,027 million) was expected to be settled after more than one year from the balance sheet date.

As at 31 December 2009, Other liabilities includes an amount of EUR 7.91 (2008: EUR 7.91) for seven preference shares with a par value of EUR 1.13 each.

15 GENERAL PROVISIONS

General provisions	2009	2008
Deferred tax payable	**14**	157
Pension liabilities and other staff-related liabilities	**490**	83
Reorganisations and relocations	**308**	70
Other	**563**	342
	1,375	652

As at 31 December 2009, an amount of EUR 648 million (2008: EUR 510 million) was expected to be settled after more than one year from the balance sheet date.

Notes to the parent company balance sheet of ING Bank (continued)

16 SUBORDINATED LOANS

Subordinated loans by group companies and third parties		
	2009	2008
Group companies	**8,057**	7,085
Third parties	**13,783**	15,246
	21,840	22,331

Subordinated loans by type		
	2009	2008
Capital debentures	**13,628**	15,106
Private loans	**8,212**	7,225
	21,840	22,331

17 EQUITY

Capital and reserves		
	2009	2008
Share capital	**525**	525
Share premium	**16,542**	16,392
Share of associates reserve		128
Currency translation reserve	**–241**	–475
Revaluation reserve	**2,488**	–3,678
Other reserves	**10,224**	9,225
Unappropriated result	**684**	772
	30,222	22,889

Other reserves includes Retained earnings of EUR 9,579 million (2008: EUR 8,659 million).

Share capital				
	Ordinary shares (par value EUR 1.13)			
	Number x1,000	**Amount**	Number x1,000	Amount
		2009		2008
Authorised share capital	**1,600,000**	**1,808**	1,600,000	1,808
Unissued share capital	**1,134,965**	**1,283**	1,134,965	1,283
Issued share capital	**465,035**	**525**	465,035	525

No shares have been issued during 2008 and 2009.

Changes in revaluation reserve					
2009	**Available-for-sale reserve**	**Cash flow hedge reserve**	**Property in own use reserve**	**Real estate invest-ments reserve**	**Total**
Opening balance	**–4,165**	**–128**	**436**	**179**	**–3,678**
Unrealised revaluations after taxation	**5,702**		**–49**	**–20**	**5,633**
Realised transferred to profit and loss	**877**				**877**
Changes in cash flow hedge reserve		**–344**			**–344**
Closing balance	**2,414**	**–472**	**387**	**159**	**2,488**

Changes in revaluation reserve					
2008	Available-for-sale reserve	Cash flow hedge reserve	Property in own use reserve	Real estate invest-ments reserve	Total
Opening balance	1,262	428	415	178	2,283
Unrealised revaluations after taxation	–6,950		21	1	–6,928
Realised transferred to profit and loss	1,523				1,523
Changes in cash flow hedge reserve		–556			–556
Closing balance	–4,165	–128	436	179	–3,678

Notes to the parent company balance sheet of ING Bank (continued)

Changes in revaluation reserve					
2007	Available-for-sale reserve	Cash flow hedge reserve	Property in own use reserve	Real estate invest-ments reserve	Total
Opening balance	1,255	655	385	175	2,470
Unrealised revaluations after taxation	345		30	3	378
Realised transferred to profit and loss	–338				–338
Changes in cash flow hedge reserve		–227			–227
Closing balance	1,262	428	415	178	2,283

Retained earnings and Unappropriated result	Retained earnings		Unappropriated result		Total	
	2009	2008	**2009**	2008	**2009**	2008
Opening balance	**8,659**	10,605	**772**	2,289	**9,431**	12,894
Transfer to retained earnings	**772**	2,289	**–772**	–2,289		
Employee stock options and share plans	**58**	67			**58**	67
Other changes	**90**	–52			**90**	–52
Result for the period			**684**	772	**684**	772
Dividend		–4,250				–4,250
Closing balance	**9,579**	8,659	**684**	772	**10,263**	9,431

Positive components of the Revaluation reserve, the Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the revaluation reserve on a net basis. Retained earnings can be freely distributed except for an amount equal to the negative balance in the Currency translation reserve. and the Revaluation reserve. Unrealised gains and losses on derivatives, other than cash flow hedges, are presented in the profit and loss account and are therefore part of Retained earnings.

In consolidated annual accounts the revaluations on real estate investments are included in the profit and loss account. For the parent company accounts however, Dutch law requires these revaluations to be included in a Revaluation reserve.

As at 31 December 2009 Other reserves included an amount of EUR 645 million (2008: EUR 566 million) related to the former Stichting Regio Bank that cannot be freely distributed.

The total amount of non-distributable reserves is EUR 3,374 million (2008: EUR 4,847 million).

Additional information to the parent company balance sheet of ING Bank amounts in millions of euros, unless stated otherwise

18 MATURITY OF CERTAIN ASSETS AND LIABILITIES

Analysis of certain assets and liabilities by maturity

2009	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Amounts due from banks	26,214	3,165	7,459	14,200	24,383	15,984	91,405
Loans and advances to customers	42,189	16,764	14,926	54,500	144,770	9,675	282,824
Liabilities							
Amounts due to banks	23,573	10,282	11,452	15,769	24,494	15,600	101,170
Customer deposits and other funds on deposit	144,037	25,380	6,971	4,201	1,874	7,649	190,112
Debt securities in issue	13,220	27,434	17,054	17,425	5,510	5,557	86,200
Subordinated loans	16		1,029	4,408	15,799	588	21,840

Analysis of certain assets and liabilities by maturity

2008	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Amounts due from banks	78,366	14,300	25,942	61,425	57,387	19,169	256,589
Loans and advances to customers	27,161	12,332	8,593	37,581	32,900	17,630	136,197
Liabilities							
Amounts due to banks	202,443	27,388	7,430	315	297	17,656	255,529
Customer deposits and other funds on deposit	44,342	13,714	2,030	1,668	1,452	15,009	78,215
Debt securities in issue	14,179	17,362	9,452	10,368	3,292	6,218	60,871
Subordinated loans	11	425	59	4,618	16,059	1,159	22,331

19 ASSETS NOT FREELY DISPOSABLE

Assets not freely disposable

	Customer deposits and other funds on deposit and debt securities in issue		Banks		Other contingent liabilities		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Investments	347	541					347	541
Lending	544	1,473	3,672	669			4,216	2,142
Banks			4,525	6,526			4,525	6,526
Other assets	355	269	7	1,160	28	22	390	1,451
	1,246	2,283	8,204	8,355	28	22	9,478	10,660

Additional information to the parent company balance sheet of ING Bank (continued)

20 CONTINGENT LIABILITIES

Contingent liabilities by type		
	2009	2008
Guarantees	**29,743**	8,673
Irrevocable letters of credit	**5,268**	2,341
Other	**65**	236
Contingent debts	**35,076**	11,250
Irrevocable facilities	**39,358**	24,971
	74,434	36,221

Contingent debts		
	2009	2008
Group companies	**16,630**	678
Third parties	**18,446**	10,572
	35,076	11,250

Irrevocable facilities		
	2009	2008
Group companies	**44**	15
Third parties	**39,314**	24,956
	39,358	24,971

Guarantees
ING Bank N.V. has issued statements of liabilities in connection with Section 403 Book 2 of the Dutch Civil Code and other guarantees for a number of group companies.

REMUNERATION OF SENIOR MANAGEMENT, MANAGEMENT BOARD AND SUPERVISORY BOARD

See Note 30 'Related parties' to the Consolidated annual accounts.

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 15 March 2010

THE SUPERVISORY BOARD
Peter A.F.W. Elverding, *chairman*
Jeroen van der Veer, *vice-chairman*
Tineke (J.) P. Bahlman
Henk W. Breukink
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Godfried J.A. van der Lugt
Harish Manwani
Aman Mehta
Joan E. Spero
Jackson P. Tai
Karel Vuursteen
Lodewijk de Waal

THE MANAGEMENT BOARD
Jan H.M. Hommen, *chairman*
Patrick G. Flynn, *CFO*
Koos (J.) V. Timmermans, *CRO*
Eric F. Boyer de la Giroday, *vice-chairman*
Eli P. Leenaars
Hans van der Noordaa

Auditor’s report

To the Shareholders, Supervisory Board and the Management Board of ING Bank N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts 2009 of ING Bank N.V., Amsterdam (as set out on pages 12 to 149). The annual accounts consist of the consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2009, the profit and loss account, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2009, the parent company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law and these standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

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

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of ING Bank N.V. as at 31 December 2009, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company annual accounts

In our opinion, the parent company annual accounts give a true and fair view of the financial position of ING Bank N.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Dutch Civil Code, we report, to the extent of our competence, that the report of the Management Board report is consistent with the annual accounts as required by 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 15 March 2010

For Ernst & Young Accountants LLP

signed by C.B. Boogaart

Proposed appropriation of result

PROPOSED APPROPRIATION OF RESULT

The result is appropriated pursuant to Article 24 of the Articles of Association of ING Bank N.V., the relevant stipulations of which state that the result shall be at the disposal of the General Meeting of Shareholders. For 2009, the Management Board Banking, with the approval of the Supervisory Board, has determined to appropriate the entire result to reserves, so that no dividend will be paid.

Proposed appropriation of result

Net result at the disposal of the General Meeting of Shareholders	**684**
Addition to reserves pursuant to Article 24 (2) of the Articles of Association	**–684**
At the disposal of the General Meeting of Shareholders pursuant to Article 24 (7) of the Articles of Association	**0**

Additional Pillar 3 information

amounts in millions of euros, unless stated otherwise

INTRODUCTION

This Pillar 3 section includes information that Basel II requires to be made publicly available (unless it has already been provided in the risk management section). The information relates to ING Bank N.V. and all of its subsidiaries. The information contained in this section has not been audited by the Group's external auditors.

NEW CAPITAL ADEQUACY RULES – BASEL II ACCORD

The rules on capital adequacy, also referred to as Regulatory Capital (RECAP), express the regulators' and legislators' opinions of how much capital a bank and other regulated credit institutions must retain in relation to the size and the type of risk taking expressed in the form of risk-weighted assets. The most important part of the capital base is the shareholders' equity. In addition to equity, the institution may issue certain liabilities such as subordinated loans to be included in the capital base. The legal minimum requirement stipulates that the capital base must correspond to at least 8% of the Risk-Weighted Assets (RWA).

The Dutch government adopted the Capital Requirements Directive (CRD), the European reflection of the Basel II capital accord in December 2006. Since the new regulations adopt a 'risk-based approach' to determine the required capital base, there is a significant difference in the measurement of capital compared to the former rules. Therefore, the Dutch government adopted legislation to implement the new rules in stages. For 2008, the capital base was not allowed to fall below 90% of the amount that would have been applicable under the former rules, called Basel I. For 2009, the floor reduced to 80%. Although originally the floor was no longer applicable for 2010 and beyond, the Dutch government has decided to keep the floor at 80% for 2010.

This section relates to Pillar 3, market discipline, and as such provides information on several topics. Some of the required information has already been given elsewhere in the annual report, e.g. in the risk management section and in the capital management section. This section provides additional information, as well as references to the relevant sections.

The Pillar 3 information mostly relates to credit risk, but also to market risk, operational risk and securitisations. The requirements are mainly for underlying exposure, risk weighted assets and regulatory capital. As such it relates primarily to the first Basel II pillar, the minimum capital requirement. The second pillar concerns the banks internally used Economic Capital, and the supervisors review of that capital and the underlying models. Economic Capital, and consequently Pillar 2, is disclosed extensively in the risk management section. As such, the text of this Pillar 3 section should be read in conjunction with statements made in the risk management section and capital management section of the annual accounts, where there is a comprehensive discussion of risk management and capital management.

RISK MANAGEMENT AT ING BANK

ING has a group risk management function that is embedded at all levels of the organisation and operates through a comprehensive risk governance framework.

The primary responsibility of the Bank risk management function lies with the Chief Risk Officer (CRO), who is a member of the Executive Board. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's bank risk profile is consistent with its financial resources and the risk appetite defined by the Executive Board. The CRO has several direct reports who are all responsible for a specific risk management function within ING Bank.

A more detailed description of risk management at ING can be found in the risk management section.

Additional Pillar 3 information (continued)

Regulatory capital requirements	2009	2008
Credit risk		
Portfolios subject to standardised approach	**2,540**	3,083
Portfolios subject to advanced IRB approach		
– Central Governments and Central Banks	**245**	309
– Institutions	**1,235**	1,680
– Corporate	**9,629**	9,366
– Residential mortgages	**4,360**	3,062
– Other retail	**1,129**	885
Total portfolios subject to advanced IRB approach	**16,598**	15,302
Securitisation exposures	**1,156**	2,321
Equity portfolios in the banking book under the simple risk weight approach	**364**	194
Other Non-Credit Obligation Assets (ONCOA)	**2,132**	2,166
Total credit risk	**22,790**	23,066
Market risk		
Standardised approach	**150**	449
Internal models approach – trading book	**341**	587
Total market risk	**491**	1,036
Operational risk		
Advanced measurement approach	**3,309**	3,368
Total Basel II required Regulatory Capital	**26,590**	27,470
Basel II floor*	**28,709**	34,369
Additional capital requirement (due to floor)	**2,119**	6,899

* In 2008 the floor was 90% of Basel I required Regulatory Capital, while in 2009 the floor is 80%.

In order to prevent large short term effects on capital requirements, the regulators introduced transition rules (the 'capital floor') for institutions implementing the new capital adequacy reporting. For 2008 and 2009 the capital requirements should be no less than 90% and 80% respectively of the capital requirements calculated under Basel I regulations. The additional capital requirements according to the transition rules are EUR 2,119 million for 2009 (EUR 6,899 million in 2008).

The required regulatory capital shown in this section should be compared to the available regulatory capital for which details can be found in the Capital Management section under the heading 'Regulatory Capital'.

CREDIT RISK
BASIS OF PRESENTATION FOR CREDIT RISK
The following paragraphs address the risk information for Pillar 3 reporting.

For credit risk, data included in these tables is related to ING Bank's core credit risk activities in the areas of: Securities Financing, Derivatives (collectively Pre-Settlement Risk); Money Market activities (including reserve deposits at Central Banks); Lending (both on and off balance sheet); and Investment risks.

The amounts presented in this section relate to amounts used for credit risk management purposes, which follow ING's interpretation of the definitions as prescribed under the Basel II accords. Therefore, the numbers are different than the accounting numbers as reported in the annual accounts under IFRS-EU. Figures for Derivatives and Securities Financing are based on 'risk weighted amounts', which generally is equal to the mark-to-market value of the underlying trades plus a (regulatory defined) 'add-on' which represents estimated potential future exposure. The amounts are then further modified by an adjustment that is related to the underlying collateral (market) values (after a haircut is applied) and any legal netting or compensation that may be permitted under various master agreement arrangements, such as ISDAs, CSAs, GMLAs, etc.

Additional Pillar 3 information (continued)

Figures associated with Money Market and Lending activities are generally the nominal amounts, while amounts associated with Investment activities are based on the original amount invested less repayments. Off-Balance Sheet exposures include the letters of credits and guarantees, which are associated with the Lending Risk Category. Additionally, Off-Balance Sheet exposures include a portion of the unused limits, associated with the statistically expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called 'credit risk oustandings'.

Exposures associated with Securitisations (Asset Backed Financing, Commercial/Residential Mortgage Backed Securities and Covered Bonds) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. This amount is also considered to be 'credit risk outstandings'.

Unless otherwise stated, the tables included in this Section focus on the measurement of Exposure at Default (EAD) and Risk Weighted Assets (RWA) under the Basel II definitions. EAD is generally the sum of the on-balance and off-balance sheet lending, investment and money market activities plus an estimated portion of the unused credit facilities extended to the obligor. Additionally, the risk weighting amounts (plus add-ons) are included. Multiplying RWA by 8% will result in the level of Regulatory Capital (RECAP) that is required to be held against these portfolios (for the credit risk portion of the activities). In this section a threshold of 2% of the total value reported is used for determining materiality where applicable. All categories below that threshold have been reported in the category 'Other'.

CREDIT RISK AT ING

ING Bank's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of top-down concentration limits for countries, individual obligors and obligor groups. The aim is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

Credit Risk is the risk of loss from the default by debtors or counterparties. Credit risks arise in ING Bank's lending, money market, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

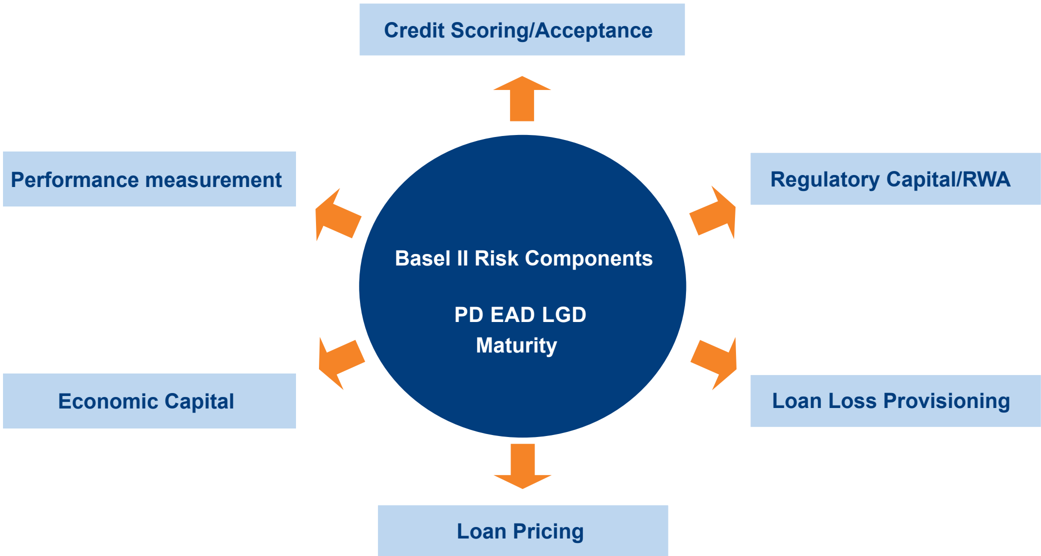
ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses, bonds held in the investment portfolios and financial markets trading activities. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the obligors' creditworthiness. Financial Markets activities include derivatives trading, securities financing, and Foreign Exchange (FX) transactions, which we collectively refer to as Pre-Settlement risks. ING uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

PILLAR 3 CREDIT RISK IN PRACTICE

The Basel II Accord not only changes the way ING reports its credit risk for regulatory purposes; it also affects the daily operations and practices of all types of risk management at all levels within ING Bank. It has no effect on ING Insurance or Asset Management operations.

Additional Pillar 3 information (continued)

One of the key elements of the Basel II Accord is the 'Use Test', which requires ING to use Basel concepts in its day-to-day activities. The diagram below illustrates where ING has incorporated the Basel II concepts into its daily activities, both globally and locally:



RISK MEASUREMENT AND REPORTING

ING distinguishes three separate information requirements from senior management related to the Advanced IRB (AIRB) approach for credit risk:

- Reporting on (minimum) regulatory capital requirements;
- Model monitoring reports; and
- Stress testing reports.

The acceptance, maintenance, measurement, management and reporting of credit risks at all levels of ING Bank is accomplished through promotion of single, common credit risk data standards and the integration into common credit risk tools that support standardised and transparent credit risk practices.

THE IRB METHOD IN SHORT

There are four elements which drive the Basel II 'risk-based approach' to the determination of the capital base. For each of these elements, ING has developed a series of statistical, expert and hybrid models based on ING's historical experience and other market observations.

- **Probability of Default (PD):** The first is the borrower's, counterparty's, or issuer's (collectively referred to as the 'obligor') probability of default, which measures an obligor's creditworthiness in terms of likelihood to go into default. The result of this calculation attempts to measure the senior, unsecured standalone creditworthiness of an organisation without consideration of structural elements of the underlying transactions, such as collateral, pricing, or maturity;
- **Exposure at Default (EAD):** The second element is the obligor's exposure at default. These models are intended to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that an obligor will go into default is not known, and the level of outstandings that may occur on that date is also not known, ING uses a combination of statistical, expert and hybrid models to estimate the Exposure at Default. With the exception of guarantees and letters of credit, the EAD is always equal to or higher than the associated credit risk outstandings, under the assumption that obligors tend to absorb liquidity from available credit resources before financial problems become apparent to the obligor's creditors;
- **Loss Given Default (LGD):** The third element is the loss given default. These models are intended to estimate the amount ING will lose when liquidating collateral pledged in association with a given loan or financial obligation, or alternatively, liquidating the company as a whole, as part of a workout process. LGD models are based on cover types, estimated recovery rates given orderly liquidation, and (in)direct cost of liquidation;
- **Maturity (M):** The fourth element is the time to the maturity of the underlying financial obligation. Basel II caps the maturity element at five years, despite the fact that many obligations extend longer than five years.

Additional Pillar 3 information (continued)

Expected Loss (EL): The expected loss provides a measure of the value of the credit losses that ING may reasonably expect to incur on its portfolio. ING must hold a reserve (as part of its capital base) to cover the expected losses in its credit portfolio. In its basic form, the expected loss can be represented as:

EL = PD * EAD * LGD

Unexpected Loss (UL): Additionally, ING must also maintain a capital buffer against unexpected losses in order to protect itself against credit losses associated with unusual market events outside of the statistical norms.

Basel II uses these same components (expected loss and unexpected loss) conceptually in the determination of the Risk Weighted Assets (RWA). Like EL, RWA takes PD, EAD, and LGD into account, but also includes variables associated with the type of obligor and its size.

The PD, EAD and LGD models that are used in the calculation of Basel II regulatory capital are the same models that ING uses in the determination of its internally based economic capital models. Additionally, these models are used for loan pricing and customer profitability calculations, as well as forming the foundation for loan loss provisioning calculations.

CREDIT RISK MODELS

ING considers a well-balanced and controlled set of rules around model development, maintenance and validation to be an essential component for professional risk measurement and risk management. In 2006, ING developed and implemented a Credit Risk Model Governance framework, which consists of a set of extensive guidelines and requirements to which all stakeholders must adhere when developing, implementing and maintaining PD, LGD and EAD models.

Types of Credit Risk Modelling

Within ING Bank, there are three types of modelling which form the foundation of the PD, EAD and LGD models used throughout the bank.

- **Expert models** are based on the knowledge of experts from both Risk Management and Front Office staff and literature from rating agencies, supervisors and academics. These kinds of models are especially appropriate for portfolios for which limited historical defaults exists thereby reducing the reliability of a statistical model. These portfolios are also often referred to as ‘Low Default Portfolios’;
- **Statistical models** are created where a large set of default or detailed loss data is available. They are characterised by a sufficient number of data points which facilitate meaningful statistical estimation of the model parameters. The model parameters are estimated with statistical techniques based on the data set available;
- **Hybrid models** contain characteristics of both expert and statistical models.

Next to the model choice, the definition of default is an important starting point for model building. ING uses a framework that integrates elements of the regulatory definition of ‘Default’ and the loan loss provisioning indicators under IAS 39. The rationale is that several indicators are very close to the indications of an obligor’s ‘unlikeliness to pay’ under Basel II and similar regulations.

Integration of both frameworks makes it possible to use the regulatory risk components PD, LGD and EAD in the collective provisioning process under IAS 39, further enhancing ING’s compliance with the Basel II ‘use test’.

Independent Model Validation is one of the cornerstones of this framework. It consists of the process of determining that a model is appropriate for its intended use. It is an ongoing process whereby the reliability of the model is verified at different stages during its lifecycle: at conception, before approval, periodically after implementation, and when significant changes are made to the model. The validation process contains a mix of developmental evidence, process verification and outcome analysis.

APPROACHES APPLIED BY ING BANK

On 1 January, 2008, ING adopted the AIRB to the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by DNB (Dutch Central Bank), and various local regulators, as required. However, there remains a small portion of the portfolio that is subject to the Standardised Approach (SA). Individually, these portfolios are relatively small, very specialized, or are related to new acquisitions in companies that themselves did not yet follow the AIRB Approach. In some cases, the Standardised Approach is mandated in conjunction with transition restrictions imposed by local regulators.

During 2009 ING reduced its SA Portfolio by 28% in terms of credit risk outstandings, which fell short of the goal of reducing the SA portfolio by 50%. The lower rate of reduction was caused by slower regulatory approvals of internal models in certain countries. ING continues to work towards reducing the portion of its portfolio which falls under the Standardised Approach.

Additional Pillar 3 information (continued)

ING uses the AIRB and the Internal Assessment Approach (IAA) for liquidity lines provided to Asset Backed Commercial Paper programs. For a number of portfolios that are either on an exit strategy or immaterial in terms of size and risk profile, the Standardised Approach is used.

EXPOSURE CLASSES
The Basel II Accord has developed the concept of 'Exposure Classes'. These are essentially groupings of credit risks associated with a common obligor type or product type. For the AIRB Approach, most of the exposure classes have subcategories. ING has applied the following definitions to determine Exposure Classes:
- **Governments** include Sovereign Government entities, Central Banks and Basel II recognised Local / Regional Authorities as well as Supranational Organisations;
- **Institutions** include all Commercial Banks, non-Bank Financial Institutions, such as Leasing Companies, Funds and Fund Managers, and Insurance Companies, as well as local and regional government entities not classified as governments;
- **Corporates** includes all legal entities, that are not considered to be Governments, Institutions or Retail Other;
- **Residential Mortgages** include all mortgage loans for residential properties that are not part of a securitisation;
- **Retail Other** includes all other credit obligations related to Retail SMEs, such as partnerships, one-man businesses and private individuals, such as consumer loans, car loans and credit cards.

Under these exposure class definitions, it is possible for a private individual to be included under both Residential Mortgages and Retail Other. For other types of counterparties or issuers, there is no potential overlap.

Gross credit risk exposures (EAD) by exposure class

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach	8,721	3,052	15,965	5,981	12,020	45,739	63,848
Advanced IRB Approach	84,994	103,581	252,330	293,074	34,819	768,798	761,857
Total 2009	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

Gross credit risk exposures (EAD) by geographic area

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Netherlands	26,399	2,298	74,657	137,985	19,451	260,790	244,843
Germany	10,808	21,880	6,497	47,397	4,239	90,821	92,876
Belgium	13,181	5,906	30,231	19,838	8,813	77,969	80,773
United States of America	2,973	9,590	30,601	26,500	161	69,825	69,178
Spain	4,123	14,681	10,376	7,534	1,263	37,977	45,891
Australia	59	5,953	4,897	25,668	67	36,644	29,308
France	8,345	9,715	12,988	989	310	32,347	37,449
United Kingdom	307	7,335	14,670	2,215	1,535	26,062	29,453
Italy	6,638	2,284	6,973	6,405	2,951	25,251	26,234
Canada	3,176	2,828	941	17,028	476	24,449	20,094
Other	17,706	24,163	75,464	7,496	7,573	132,402	149,606
Total	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

The figures presented in this table are EAD based on the country of the residence of the obligor. As such, these figures do not represent the risk associated with a country transfer risk event, such as a restriction on the convertibility of local currency into internationally tradable currencies. Nor do these figures represent the economic exposure that is present in a given country. The figures above are the most significant exposures. Smaller exposures are all group under Other, where none of the individual underlying exposures are more than EUR 15.0 billion. Figures associated with ING's transfer risk positions and economic country risk exposure can be found in risk management section, including their corresponding definitions.

The figures for Exposure Class 'Central Government and Central Banks' for Italy include EUR 1.5 billion in exposure to the Central Bank and EUR 4.8 billion in investments in bonds issued by the Central Government. The Spanish figures include EUR 2.2 billion in exposure to the Central Bank and EUR 1.5 billion in investments in bonds issued by the Central Government.

Additional Pillar 3 information (continued)

Gross credit risk exposures (EAD) by economic sector

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Builders & Contractors			13,506		2,581	16,087	19,351
Central Banks	22,022					22,022	23,786
Central Governments	64,675					64,675	53,794
Commercial Banks	488	87,610	331		65	88,494	112,093
Food, Beverages & Personal Care			17,082		2,435	19,517	20,449
General Industries			14,774		2,096	16,870	20,209
Lower Public Administration	6,177	14,369			96	20,642	20,651
Natural Resources			31,162		441	31,603	29,200
Non-Bank Financial Institutions		3,514	46,262		869	50,645	52,879
Private Individuals			141	299,055	21,978	321,174	299,065
Real Estate	332		53,329		3,045	56,706	55,545
Services			16,891		4,475	21,366	22,973
Transportation & Logistics			21,131		1,366	22,497	25,232
Other	21	1,140	53,686		7,392	62,239	70,478
Total	93,715	106,633	268,295	299,055	46,839	814,537	825,705

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.

The figures presented above are based on the Basel II defined EAD, and differ from the industry distribution figures that are presented in the annual accounts. Note that all other sectors have exposures that are less than EUR 15.0 billion.

ING uses a common industry classification methodology based on the NAICS system (North American Industry Classification System). This methodology has over 1,500 detailed industry descriptions, which are aggregated into 22 industry classes at the highest level. Certain countries require ING to report locally based on other industry classification methodologies, which are generally derived from the NAICS classifications presented here. Residential mortgages are generally only extended to private individuals.

Outstandings by Tenor Bucket (based on credit risk outstandings)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Current Outstandings	88,331	107,763	232,178	288,244	35,855	752,371	749,213
1 month	80,839	106,565	225,948	287,781	35,268	736,401	714,735
3 month	61,797	85,032	211,372	287,339	34,452	679,992	653,817
6 month	54,379	81,612	203,467	286,568	33,497	659,523	636,540
1 year	51,169	75,423	164,262	283,352	23,739	597,945	572,949
2 years	46,400	68,774	135,767	279,657	20,622	551,220	525,787
3 years	42,219	58,784	110,734	274,706	17,882	504,325	477,955
5 years	30,085	46,538	77,057	256,328	13,270	423,278	400,858
7 years	22,698	33,442	52,417	245,610	10,931	365,098	340,794
10 years	9,763	12,315	35,831	224,947	8,327	291,183	259,858

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Problem Loans (rating 20-22) are excluded in the figures above.

Basel II does not include a cash flow methodology that would look at future portfolio runoff. This table, therefore, presents figures that are based on credit risk outstandings, and not EAD. Credit Risk outstandings include amounts associated with both on and off balance sheet products, but exclude amounts related to unused limits. For derivatives and securities financing, the mark-to-market plus add-on methodology is applied, but the add-ons are generally less conservative than the add-ons applied under the Basel II definitions.

The figures above assume that loans, money market and investments in fixed income securities are fully repaid at their maturity dates and that limits are reduced in conjunction with repayment schedules contained in the associated loan documentation, without regard for potential renewal or extension, or portfolio sales or acquisitions. Pre-Settlement risks are assumed to reduce over the legal maturity of the underlying transactions. However, under mark-to-market plus add-on methodology, it is possible for exposures to increase in time, rather than decrease. This is a function of ING's estimates of future interest rates and foreign exchange rates, as well as potential changes in future obligations that may be triggered by such events. Generally, credit risk outstandings are lower than EAD.

Additional Pillar 3 information (continued)

Further, all figures assume that no new credit risks are introduced into the portfolio and that there are no delays in repayments associated with problem loans, nor are there write offs associated with provisions or impairments. The portfolio runoff is implied by the difference in the figures between two periods.

LOAN LOSS PROVISIONS

There are three types of provisions that have to be made and accounted for:

- Individually Significant Financial Asset (ISFA) Provisions for those loans where specific, individualized provisions are still required. These are generally loans that exceed the threshold amount. [(1)] These provisions are made using an estimated future recovery methodology and then applying a net present value concept. The future cash flows are based on the restructuring officers' best estimate of when/if recoveries will occur. Recoveries can be from any source, such as the sale of collateral, ongoing cash flows, sale of a business/subsidiary, etc. ISFA provisions are all calculated using a common tool across ING Bank;
- Incurred But Not Recognised (IBNR) Provisions are made for the 'performing' loan portfolio as an estimate or proxy for the losses/defaults that may have already occurred in the portfolio, but which ING has not yet determined or recognised. These provisions are based on a modified expected loss methodology. The primary modification is that the PD time horizon (12 months) is shortened to periods of 3, 6, or 9 months, depending on the type of obligor. Generally, the larger the obligor, the shorter the PD time horizon. IBNR provisions are calculated centrally using a common tool across ING Bank;
- Individually Not Significant Financial Asset (INSFA) Provisions are made for acknowledged problem loans (ratings 20-22) that are below the threshold amount. Due to their small size, the IFRS rules permit a statistical approach to measuring these provisions. Therefore, the calculation is based on the same statistical formula that is used to determine IBNR Provisions and is also calculated centrally using a common tool across ING Bank.

[(1)] The threshold amount varies per business unit, but generally is nil in the international units, and EUR 1 million in the 'home markets'.

Cumulative Provisions by geographic area

Country	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Netherlands			598	104	337	1,039	629
United States of America			211	536	3	750	266
Germany			94	263	122	479	354
Belgium			242	35	152	429	332
Spain			249	5	6	260	116
Poland			131	1	22	154	122
France			147		2	149	98
Turkey	1	2	59	2	73	137	85
Virgin Islands British			107			107	36
Italy			48	3	29	80	60
Romania			48	1	26	75	11
India		1	48	2	23	74	40
Russia		1	59			60	45
Ukraine		17	37			54	40
Australia			29	22		51	14
Other	2	44	396	5	54	501	363
Total	3	65	2,503	979	849	4,399	2,611

* Both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account

Above presentation of the cumulative provisions is based on country of the residence of the obligor. Countries not shown in above table have cumulative provisions of less than EUR 50 million, and are grouped under Other.

Additional Pillar 3 information (continued)

Cumulative Provisions by economic sector

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Automotive			119		17	136	103
Builders & Contractors			290		65	355	217
Chemicals, Health & Pharmaceuticals			72		12	84	45
Commercial Banks		59	19		1	79	106
Food, Beverages & Personal Care			246		49	295	185
General Industries			359		48	407	226
Media			82		19	101	54
Natural Resources			129		6	135	79
Non-Bank Financial Institutions		4	180		12	196	87
Private Individuals			35	979	365	1,379	870
Real Estate			350		29	379	167
Retail			82		51	133	95
Services			194		71	265	136
Telecom			54		2	56	11
Transportation & Logistics			140		33	173	70
Other	3	2	152		69	226	160
Total	3	65	2,503	979	849	4,399	2,611

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes impairments made directly to the equity accounts.

The tables above should be read in conjunction with the corresponding tables below related to Past due loans by geographic area and Past due loans by economic sector as well as information and statements in the annual accounts. Economic sectors not shown in above table have cumulative provisions of less than EUR 50 million, and are grouped under Other.

Past due loans by geographic area (based on outstandings)

	Residential mortgages	Other retail	Total 2009	Total 2008
Belgium	2,201	324	2,525	2,399
Netherlands	2,374	23	2,397	2,330
Australia	905		905	775
United States of America	454		454	585
Germany	272	10	282	258
Turkey	94	152	246	321
Canada	178	1	179	137
Other	205	211	416	419
Total	6,683	721	7,404	7,224

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Above presentation of the past due loans is based on country of the residence of the obligor. Countries not shown in above table have past due loans of less than EUR 150 million, and are grouped under Other.

Past due loans by economic sector (based on outstandings)

	Residential mortgages	Other retail	Total 2009	Total 2008
Private Individuals	6,683	373	7,056	6,868
Other		348	348	356
Total	6,683	721	7,404	7,224

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Economic sectors not shown in above table have past due loans of less than EUR 150 million, and are grouped under Other.

Additional Pillar 3 information (continued)

The tables above should be read in conjunction with the corresponding tables below related to cumulative provisions by geographic area and cumulative provisions by economic sector as well as information and statements in the annual accounts.

ING considers past due loans to be those loans where any payment of interest or principal is more than one day past due. The methodology is principally extended to loans to private individuals, such as residential mortgage loans, car loans, and other consumer loans. For business loans (governments, institutions, corporates), ING has adopted a policy to classify the obligor as a problem loan as quickly as possible upon the occurrence of a payment default. Therefore, the concept of past due loans does not exist for these types of obligors (and hence the reason why certain exposure classes show no figures).

The figures above are based on credit risk outstandings, and not EAD. Credit Risk outstandings include amounts associated with both on and off balance sheet products, but exclude amounts related to unused limits. For derivatives and securities financing, the mark-to-market plus add-on methodology is applied, but the add-ons are generally less conservative than the add-ons applied under the Basel II definitions.

Loan Loss Provision Shortfall

The Loan Loss Provision Shortfall is the difference between the EL and loan loss provisions for AIRB exposures. This difference is caused by the different PD time horizons that exist for IAS 39 Loan Provisioning (3, 6, and 9 months) and the 12 month time horizon used for EL and regulatory capital calculation. Basel II requires that the shortfall is deducted from the regulatory capital, 50% from Tier 1 and 50% from Tier 2 capital.

At December 31, 2009, the loan loss provision shortfall (before tax) was: EUR 1,579 million. The relative level of loan loss shortfall compared to actual provisioning levels will generally increase in periods where loan loss provisions are decreasing and will decrease in periods where loan loss provisions are increasing.

The Standardised Approach

Unlike the AIRB approach, the standardised approach applies a fixed risk weight to each asset as dictated by the Financial Supervisory Authorities, and is based on the exposure class to which the exposure is assigned. As such, the Standardised Approach is the least sophisticated of the Basel II methodologies and is not as sensitive as the risk-based approach. Where external rating agency ratings are available, they may be used as a substitute to using the fixed risk weightings assigned by the Financial Supervisory Authorities. Because the underlying obligors are relatively small, the underlying obligors tend not to have external ratings.

PORTFOLIOS UNDER THE STANDARDISED APPROACH

Exposures (EAD) and amounts deducted for standardised approach portfolios

	Exposure before risk mitigation	**Exposure after risk mitigation**	Exposure before risk mitigation	Exposure after risk mitigation
		2009		2008
Risk buckets used:				
0%	**4,722**	**5,055**	6,881	7,072
10%				
20%	**9,012**	**9,029**	4,240	4,414
35%	**5,639**	**5,639**	20,188	20,188
50%	**6,802**	**7,217**	4,131	4,200
75%	**16,263**	**15,636**	24,259	21,456
100%	**30,808**	**29,852**	35,081	33,947
150%	**799**	**745**	610	562
200%				
1250%				

* Includes only the SA Portfolios; excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Additional Pillar 3 information (continued)

Under the standardised approach there are two principal methods for reducing or mitigating credit risk:
a) reduction of credit risk through the acceptance of pledged financial assets as collateral, such as marketable securities or cash; or
b) mitigation or shifting of credit risks to a lower risk weighting group by accepting guarantees from unrelated third parties.

The risk weighting categories are defined in Basel II and are interpreted by ING as follows:

0% Risk Weighting
These assets fall into three categories as described below. In all of these cases, ING has developed credit risk models for the specific portfolios, but has not yet implemented the AIRB approach due to restrictions imposed by local regulators. In most cases, these portfolios are eligible to be converted to the AIRB approach in 2009.

Central Government and Central Banks
In accordance with national discretion rules, the risk weight for many Central Governments and Central Banks under the standardised approach is 0%.

Regional governments and local authorities
In many countries, exposures to provincial, regional and municipal governments are treated as exposures to the Central Government in whose jurisdiction they are established.

Multilateral Development Banks
Exposures to certain specific multilateral development banks and other international organisations such as the International Bank for Reconstruction and Development are risk weighted at 0%.

10% Risk Weighting
The 10% risk weighting is applied to covered bonds exposures under the standardised approach. All of ING's covered bond positions are measured under the AIRB.

20% Risk Weighting
20% Risk Weighting is applied to exposures based on their exposure class and external rating. These are generally high quality exposures.

35% Risk Weighting
Exposures secured by mortgages on residential real estate are assigned a risk weight of 35%. The risk weight is only reduced for the part of the exposure that is fully secured.

50% Risk Weighting
50% Risk Weighting is applied to exposures based on their exposure class and external rating. These are generally not prime grade exposures.

75% Risk Weighting
Retail exposures under the standardised approach are assigned a risk weight of 75%.

100% Risk Weighting
Under the standardised approach, exposures without external ratings that do not fall into one of the other categories are assigned a risk weight of 100%.

150% Risk weighting
Under the standardised approach, certain specified exposures, such as exposures to venture capital and private equity, as well as the unsecured portion of any past due obligation is assigned a risk weighting of 150%.

200% Risk weighting
The 200% risk weighting must be applied to collective investment undertakings which contain high risk equity investments.

PORTFOLIOS UNDER THE AIRB APPROACH

RISK RATING METHODOLOGY
In principle all Risk Ratings are based on a Risk Rating (PD) Model that complies with the minimum requirements detailed the CRD, the DNB Supervisory Rules and CEBS guidelines. This concerns all Obligor Types and Segments, including Countries.

ING's Probability of Default (PD) rating models are based on a 1-22 scale, which roughly corresponds to the same rating grades that are assigned by external rating agencies, such as Standard & Poor's and Fitch. For example, an ING rating of 1 would correspond to an S&P/Fitch rating of AAA; an ING rating of 2 would correspond to an S&P/Fitch rating of AA+, and so on.

Additional Pillar 3 information (continued)

Risk Ratings from Rating Models:

Risk Rating processes take on several forms as described below:

- Rating Models requiring manual interference: these are Models that require manual interference from the User who has to answer Rating Model based questions for each individual legal organisation in order to arrive at a Risk Rating. If not reviewed, the Risk Rating will expire 18 months after the previous review. These models are typically used for Governments, Institutions and larger Corporates; and
- Automated Rating Models: these are Models that do not require manual interference. Instead, data is automatically gathered and used to determine the Risk Rating (this process is detailed further in the sections that describe ING's Data Management and IT processes). These models are typically used for small businesses, consumer loans, and residential mortgage exposures;
- Risk Ratings from Appeals: Rating Model outcomes that are perceived to be inaccurate can be appealed through the relevant Rating Appeal Process, where this exists. The Rating Appeal Process applies to all Rating Models that require manual interference. It does not apply to automated Rating Models developed for consumer lending and residential mortgage business;
- Non-Rating Model based Ratings: this pertains to Risk Ratings not calculated by means of an approved Rating Model, but manually calculated or set on the basis of an approved subjective methodology. These are generally only used for problem loan classifications (20-22) which are owned by the relevant global or regional credit restructuring unit; and for the securitisation portfolios, whereby the external ratings of the tranche in which ING has invested are leading.

Exposures (EAD) by PD grade under the advanced IRB approach

		Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
1	(AAA)	14,562	2,129	3,014		10	19,715	38,481
2	(AA+)	41,369	5,435	3,255	71	70	50,200	32,014
3	(AA)	15,958	7,446	5,467	2,014	610	31,495	29,711
4	(AA-)	733	28,297	5,591	467	302	35,390	62,706
5	(A+)	8,304	18,456	7,335	3,887	625	38,607	40,248
6	(A)	2,073	13,412	8,959	3,940	753	29,137	24,966
7	(A-)	84	11,344	15,742	24,490	1,343	53,003	44,940
8	(BBB+)	611	5,907	19,119	26,976	3,689	56,302	52,281
9	(BBB)	153	3,915	25,924	48,909	3,433	82,334	76,884
10	(BBB-)	36	3,131	32,163	54,390	5,296	95,016	93,115
11	(BB+)	320	1,139	28,187	64,684	4,896	99,226	110,469
12	(BB)	468	792	28,032	22,522	3,727	55,541	66,082
13	(BB-)	42	881	23,171	9,739	2,768	36,601	33,177
14	(B+)	159	604	17,061	4,805	2,088	24,717	17,566
15	(B)	56	116	8,394	13,740	1,455	23,761	13,946
16	(B-)	53	101	3,720	2,157	573	6,604	3,894
17	(CCC-C)	10	299	5,372	3,190	999	9,870	8,048
18	(Special Mention)		50	4,364	372	476	5,262	3,034
19	(Substandard)	1	15	1,237	2,935	536	4,724	2,450
20	(Doubtful)	2	102	5,392	2,261	765	8,522	5,689
21	(Liquidation – no loss)			168	1,462	229	1,859	1,607
22	(Liquidation – with loss)		10	663	63	176	912	549
Total		84,994	103,581	252,330	293,074	34,819	768,798	761,857

* Includes only AIRB portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The figures presented above are based on EAD and as such differ from those presented in the annual accounts due to different measurement methodology.

Over 95% of ING's credit risks have been rated using one of the in-house developed PD rating models. Within the AIRB Portfolio, the level of Basel II ratings exceeds 99% coverage by exposure. Bankwide, ING has implemented more than 100 rating models, including various submodels that may be applicable. Some of these models are universal in nature, such as models for Large Corporate, Commercial Banks, Insurance Companies, Central Governments, Local Governments, Funds, Fund Managers, Project Finance, and Leveraged Companies. While other models are more regional or country specific, such as PD models for SME companies in Central Europe, the Netherlands, Belgium, Luxembourg, and the United Kingdom, as well as residential mortgage and consumer loan models in the various retail markets.

Additional Pillar 3 information (continued)

Rating Models for retail obligors are predominantly statistically driven and automated, such that they can be updated on a monthly or bi-monthly basis. Models for SME companies, and larger corporates, institutions and banks are manually updated, and are individually monitored on at least an annual basis.

Under Basel II rules, the nominal exposures are weighted to determine the RWA (and regulatory capital) of a portfolio, under a 'risk-based approach'. This approach dictates that less capital is required for credit risks which are well-rated, while progressively more capital is required as an obligor's risk (rating) deteriorates. This effect can cause RWA assets to increase or decrease together with risk rating migration without a significant change in the size of the underlying financial assets, in terms of financial accounting. As such, rating migrations are closely monitored within ING.

Average LGD by PD Grade under the advanced IRB approach

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
1 (AAA)	20%	14%	26%	10%	46%	21%	23%
2 (AA+)	20%	22%	32%	10%	61%	21%	20%
3 (AA)	20%	19%	26%	23%	64%	22%	23%
4 (AA-)	20%	19%	42%	10%	76%	23%	23%
5 (A+)	20%	21%	31%	10%	63%	22%	27%
6 (A)	20%	20%	29%	21%	63%	24%	25%
7 (A-)	27%	24%	33%	19%	43%	25%	26%
8 (BBB+)	30%	23%	36%	18%	39%	26%	27%
9 (BBB)	13%	26%	30%	16%	41%	22%	23%
10 (BBB-)	43%	39%	26%	14%	37%	20%	19%
11 (BB+)	38%	29%	25%	14%	31%	19%	17%
12 (BB)	24%	44%	21%	17%	33%	20%	20%
13 (BB-)	4%	41%	20%	18%	31%	21%	20%
14 (B+)	8%	35%	19%	21%	32%	21%	23%
15 (B)	8%	44%	22%	21%	50%	23%	21%
16 (B-)	60%	51%	20%	19%	41%	22%	25%
17 (CCC-C)	11%	30%	24%	15%	34%	22%	24%
18 (Special Mention)	20%	29%	16%	21%	35%	19%	17%
19 (Substandard)	80%	46%	24%	20%	36%	23%	18%
20 (Doubtful)	36%	43%	28%	29%	47%	30%	27%
21 (Liquidation – no loss)			16%	15%	64%	21%	16%
22 (Liquidation – with loss)		11%	32%	16%	65%	37%	36%
Total	20%	22%	26%	16%	38%	22%	22%

* Includes both AIRB portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The table above represents the weighted average LGD for each of the represented combination of PD Grade and Exposure Class. For example, the weighted average LGD for an AAA rated Corporate is 26%, while the weighted average LGD for a BBB rated Corporate is 30%. LGD percentages are influenced by the transactional structure of the financial obligation, the related collateral or covers provided, and the country in which the collateral (if any) would have to be recovered.

In certain cases, the portfolio size is relatively small, which can also have an effect on the weighted average LGD in a given PD Grade and Exposure Class. Therefore, this table should be read in conjunction with the previous table (Exposures (EAD) by PD grade).

Undrawn Commitments

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach	6	272	2,470	586	5,492	8,826	10,518
Advanced IRB Approach	195	1,181	52,425	9,232	11,776	74,809	76,177
Total	201	1,453	54,895	9,818	17,268	83,635	86,695

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Additional Pillar 3 information (continued)

These figures represent the potential exposure that may be drawn by ING's obligors under committed facilities. In most cases, the obligors have the right to make use of these facilities unless an event of default has occurred, or another defined event within the associated credit risk agreement has occurred. In most cases, the obligor pays a commitment fee to ING on the unused portion of these facilities. Pre-Settlement, Money Market and Investment limits are generally not committed.

If all of the unused commitments were called upon at the same time, ING's credit risks (in terms of outstandings) would increase by 11%. As part of its Exposure at Default (EAD) models, ING makes an estimate of how much of these unused commitments would be drawn under normal circumstances. The effect is included in the calculation of RWA, together with a similar effect applied to uncommitted facilities, albeit at a lower rate.

Exposures secured by third party guarantees received

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Standardised Approach			852		13	865	483
Advanced IRB Approach	14,022	7,738	42,583	563	5,856	70,762	143,444
Total	14,022	7,738	43,435	563	5,869	71,627	143,927

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

From time to time, ING extends loans for which it receives a specific financial guarantee from a non-related counterparty or obligor. The figures in this table represent the EAD that has been guaranteed by these non-related parties. It does not include non-guaranteed amounts. For example, if a given credit risk is only partially guaranteed by a third party then only the portion of the amount which is guaranteed is included in the figures above. These figures exclude any guarantees which are received from a party related to the obligor, such as a parent or sister company. The figures also exclude any guarantees that may be implied as a result of credit default swap activities. Additionally, amounts that have been guaranteed as part of a government-sponsored mortgage program are also excluded. The figures above do include amounts that are guaranteed through an unfunded risk participation construction.

Counterparty credit risk outstandings from derivatives (SA and AIRB)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Credit Derivatives	9	1,543	875			2,427	4,243
Derivatives		23	92		4	119	64
Equity Derivatives		475	837		11	1,323	1,597
Foreign Exchange Derivatives	203	2,431	2,508		41	5,183	10,694
Interest Rate Derivatives	2,729	11,863	7,616		99	22,307	23,289
Commodity derivative			3			3	
Total	2,941	16,335	11,931		155	31,362	39,887

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The figures in above table are calculated using the mark-to-market plus (regulatory) add-on methodology used for calculating Basel II RWA and are shown after adjustments for compensation and legal netting. This methodology allows ING to classify virtually all of its derivatives exposures under the AIRB approach.

Counterparty credit risk outstandings from derivatives (SA and AIRB)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Gross positive MTM before netting and collateral	3,275	62,566	20,361		156	86,358	129,767
Mark to market (MTM) after netting	2,941	19,254	12,606		155	34,956	43,869
MTM after netting and collateral	2,941	16,335	11,931		155	31,362	39,887

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Additional Pillar 3 information (continued)

As part of its normal securities financing and derivatives trading activities, ING enters into master agreements such as ISDAs, GMRAs, etc. Under the terms contained in sections related to Minimum Threshold Amounts and Minimum Transfer Amounts of Collateral Support Annexes (CSAa) or other similar clauses, both ING and it counterparties may agree to pledge additional collateral to each other in the event that either party is downgraded by one of the established rating agencies. ING Bank has determined that under prevailing market conditions, a one notch downgrade would only have a limited effect on the amount of additional collateral that ING would be required to pledge under these agreements. However, the actual amount that ING may be required to pledge in the future may vary based on ING's portfolio composition of both derivatives and securities pledged in securities financing transactions, market circumstances, the number of downgrade notches as well as the terms and conditions of future CSAs or other similar agreements entered into.

Counterparty credit risk outstandings from securities financing (SA and AIRB)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Bond Financing Given	**330**	**2,997**	**3,062**			**6,389**	2,080
Equity Financing Given		**555**	**2,187**		**42**	**2,784**	11,764
Bond Financing Taken		**2,143**	**1,289**			**3,432**	1,230
Equity Financing Taken		**541**	**607**		**33**	**1,181**	2,292
Total	**330**	**6,236**	**7,145**		**75**	**13,786**	17,366

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

Counterparty credit risk outstandings from securities financing (SA and AIRB)

	Central Governments and Central Banks	Institutions	Corporate	Residential mortgages	Other retail	Total 2009	Total 2008
Gross positive MTM before netting and collateral	**339**	**10,045**	**10,797**		**75**	**21,256**	29,472
Mark to market (MTM) after netting	**330**	**9,493**	**9,489**		**75**	**19,387**	22,543
MTM after netting and collateral	**330**	**6,236**	**7,145**		**75**	**13,786**	17,366

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

The previous four tables are calculated using the mark-to-market plus (Regulatory) add-on methodology used for calculating Basel II RWA for determining the gross exposures. In order to determine the amount of credit risk applicable, ING first matches the trades with similar characteristics to determine their eligibility for offsetting. This offsetting effect is called ‘compensation’. Subsequently, ING reduces the amount by any legal netting that may be permitted under various types of Master Agreements, such as ISDAs, GMRAs, GMSLAs, etc. Lastly, the amount is further reduced by any collateral that is held by ING under CSAs or other similar agreements.

CREDIT RISK MITIGATION

Credit risks from credit derivatives (notional amounts)

	2009	2008
Credit derivatives used for hedging purposes		
– credit protection bought	**982**	2,019
– credit protection sold		
Credit derivatives used for trading activities		
– credit protection bought	**35,235**	50,092
– credit protection sold	**30,276**	45,395

* Includes both AIRB and SA portfolios; Excludes securitisations, equities and ONCOA.
* Excludes revaluations made directly through the equity account.

ING actively participates in the credit risk derivative (CDS) trading market, as a net purchaser of credit risk protection from other counterparties. ING has purchased a small amount of credit risk protection for hedging purposes, usually in order to reduce concentration on certain ‘legal one obligor groups’ without having to reduce ING’s relationship banking activities. ING does not actively sell credit default swaps for hedging or investment purposes. Although Basel II rules permit a reduction of credit risk capital under certain circumstances where ING has purchased CDS protection, ING does not currently make use of this provision in determining its Basel II capital base.

Additional Pillar 3 information (continued)

The figures above represent the notional amount of credit risk default swaps that ING has entered into for the represented purpose. The credit risk on the counterparties associated with credit default swap protection bought is included in the pre-settlement risk calculations for the given counterparty, and not in the figures above. For credit default protection sold, ING incurs synthetic issuer risk, on which capital is calculated, depending on its purpose, either hedging or trading.

SECURITISATIONS

SCOPE

The following information is prepared taking into account the 'Industry Good Practice Guidelines on Pillar 3 disclosure requirements for securitisations' (the Guidelines) issued by the European Banking Federation and other industry associations on 18 December 2008. It includes qualitative and quantitative disclosures addressing both the exposure securitised as well as securitisations positions held. While quantitative disclosures are limited to those securitisations that are used for the purpose of calculating the regulatory capital requirements under the CRD, qualitative information have a broader scope and give a view on ING Bank's entire securitisation activity.

Depending on ING's role as investor, originator, or sponsor the objectives, the involvement and the rules applied may be different. ING is primarily engaged in securitisation transactions in the role of investor (in securitisations arranged by others). To a lesser extent, ING is also an originator or sponsor of securitisations that are usually traded in the public markets.

Valuation and accounting policies

ING's activities regarding securitisations are described in the Note 'Special Purpose Entities and Securitisation' in the annual accounts. The applicable accounting policies are included in the section 'Accounting policies for the consolidated balance sheet and profit and loss account of ING Group/Bank' in the annual accounts. The most relevant accounting policies for ING's own originated securitisation programmes are 'derecognition of financial assets' and 'consolidation'. Where ING acts as investor in securitisation positions, the most relevant accounting policy is 'classification of financial instruments.'

Regulatory capital method used and Rating Agencies

ING has implemented the AIRB approach for credit risk. As a consequence, ING uses the Rating Based Approach (RBA) for investments in tranches of asset-backed securities (ABS) and mortgage-backed securities (MBS) which have been rated by external rating agencies. Rating agencies which are used by ING under the RBA include: Standard & Poor's, Fitch, Moody's and DBRS.

Under the RBA, the risk-weighted assets (RWA) are determined by multiplying the amount of the exposure by the appropriate regulatory risk weights, which depend on:
- the external rating or an available inferred rating;
- the seniority of the position.

ING uses the Internal Assessment Approach (IAA) for the support facilities it provides to Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp., based on externally published rating agency methodologies.

ING as Investor

ING Direct is the primary investor in securitisation transactions within ING Bank. ING Direct's core strategy is gathering customer deposits and reinvesting them in its investment portfolio and retail assets, mainly mortgages. The difference between retail liabilities (the savings product is typically the first product to be launched in a country) and retail assets (the mortgage product is typically the second product launched) is invested in high quality debt. The execution of this business model in a cost-efficient manner is ING Direct's competitive advantage. Given ING Direct's business model as a liability driven operation with a focus on cost efficiency, ING Direct invests with a view to minimise credit risk, while ensuring sufficient liquidity. Hence, ING Direct accumulates highly rated debt securities with minimal credit risk thereby capitalising on its economies of scale.

Securitisation markets provide investment opportunities in highly rated (generally AAA), liquid and discountable bonds and are therefore an important asset class in ING Direct's investment portfolio. At ING Direct, the investment policies define eligible product types, minimum ratings, maximum tenors and exposure amounts both at issue and issuer levels as well as for the portfolio. The dominant product classes in the investment portfolio are RMBS, Agency RMBS, Covered Bonds, and Senior Unsecured Debt issued by Banks, Other Financial Institutions as well as Sovereigns or Quasi-sovereign entities. Prior to purchase, each investment proposal from a Treasury Centre is analysed by Credit Risk Management and decided upon at the appropriate level by a treasury officer and a credit risk manager under delegated approval authorities. In 2009 ING Direct did not purchase any new ABS or MBS, other than Agency MBS.

Purchased Securitisation Exposures

The following table gives the break down of purchased exposures by weight bands. The amount of securitisation positions purchased from third parties are based on the regulatory exposure values calculated according to the CRD after consideration of credit conversion factors (CCFs) where applicable as used for the purpose of Pillar 1, but prior to the application of credit risk mitigants on securitisation positions.

Additional Pillar 3 information (continued)

Exposures per risk weight band (ING as Investor)

	Purchased Exposures	
	31 December 2009	31 December 2008
Risk weight band 1 <= 10%	**35,384**	64,678
Risk weight band 2 >10% and >= 18%	**10,397**	11,381
Risk weight band 3 >18% and >= 35%	**605**	1,008
Risk weight band 4 >35% and >= 75%	**162**	764
Risk weight band 5 >75%	**2,652**	933
Risk weight 1250%	**212**	1,336
Total	**49,412**	80,100

ING as Originator
ING originates own securitisation transactions for economic and regulatory capital purposes, as well as liquidity and funding purposes.

- **Economic and Regulatory Capital** Seven synthetic securitisations of mortgages, small and medium enterprise (SME) and corporate exposures have been issued since ING began actively undertaking the securitisation of its own assets in 2003. Upon the closer alignment of transfer and regulatory capital solvency rules at year end 2007, the most senior tranches of ING's own securitisations have been called and are now retained by ING. Except for Memphis 2005, ING has also hedged the first loss tranches in 2009. The mezzanine tranches are still transferred to third parties.

  The first transactions (Moon and Memphis 2003) were repaid in 2008 with no loss for the investors. Mars 2004 repaid in 2009 with no loss to investors either. As of 31 December 2009, four transactions totalling approximately EUR 15 billion (Mars 2004, Mars 2006 and BEL SME 2006 on SME exposures, Memphis 2005 and Memphis 2006 on residential mortgages) remain outstanding, as further detailed below. Memphis 2006 transfers risk on high Loan to Value (LTV) Dutch mortgages.

  Securitisations of residential mortgages release less capital under Basel II than under Basel I because the capital required for this type of exposure has been reduced under Basel II rules.

- **Liquidity/Funding** Although the most senior tranches in securitisations are no longer efficient to release regulatory capital under Basel II, they may still be used to obtain funding and improve liquidity. To be eligible as collateral for central banks securitised exposures must be sold to a Special Purpose Vehicle (SPV) which, in turn, issues securitisation notes ('traditional securitisations') in two tranches, one subordinated tranche and one senior tranche, rated AAA by a rating agency. The AAA tranche can then be used by ING as collateral in the money market for secured borrowings.

  ING Bank has created a number of these securitisations with a 31 December 2009 position of approximately EUR 70 billion of AAA rated notes. The underlying exposures are residential mortgages in the Netherlands, Canada, Germany, Belgium and Australia. ING Direct also created 'own originated RMBS' backed by Spanish mortgages.

  As long as the securitisation exposures created are not transferred to third parties, the regulatory capital remains unchanged. These are not detailed hereunder. Apart from the structuring and administration costs of these securitisations these securitisations are profit / loss neutral.

Exposures securitised as originator: All securitisations reported in this section are synthetic securitisations used to transfer risk to third parties. Transactions for liquidity/funding purpose are not included.

The determination of impairments and losses occurs at least every quarter at the cut-off date applicable to each specific transaction. Figures as of 31 December are used whenever available.

Exposures securitised

2009	**Cut off Date**	**Initial Pool**	**Outstandings**	**Credit Events**	**Past due Assets**	**Losses**
Residential Mortgages						
Memphis 2005	31 Oct 2009	**3,000**	**2,954**	**2**	**40**	**< 1**
Memphis 2006	31 Oct 2009	**4,000**	**3,911**	**12**	**143**	**2**
		7,000	**6,865**			
SME						
Mars 2006	30 Sep 2009	**4,500**	**4,351**	**29**	**34**	**3**
BEL SME 2006	30 Nov 2009	**2,500**	**2,232**	**22**	**18**	**3**
Total		**7,000**	**6,583**			

Additional Pillar 3 information (continued)

Exposures securitised						
2008	Cut off Date	Initial Pool	Outstandings	Credit Events	Past due Assets	Losses
Residential Mortgages						
Memphis 2005	31 Oct 2008	3,000	2,351	3	62	< 1
Memphis 2006	31 Oct 2008	4,000	3,750	11	207	2
		7,000	6,101			
SME						
Mars 2004	31 Oct 2008	2,000	1,995	3	25	< 1
Mars 2006	31 Dec 2008	4,500	4,202	12	32	2
BEL SME 2006	30 Nov 2008	2,500	2,406	11	5	1
Total		9,000	8,603			

Notes:

Cut-Off Date	Most recent date in respect of which determination and allocation of losses have been made pursuant to the legal documentation of the transaction. Information on the performance of ING's securitised exposures is published regularly.
Outstandings	EAD on 31 December of assets that were performing on the Cut-off date.
Credit Events	Aggregate outstandings of assets subject to a credit event reported in the twelve months period ending on the Cut-off date.
Past Due Assets	Outstandings on the Cut-off date of assets that are past due, but not in credit event on that date, as more fully detailed in the quarterly reports. Past due for residential mortgage transactions means 'more than 1 monthly payment in arrears'. Past due for SME deals means 'reference entities that are rated 20-22'.
Losses	Aggregate losses recognised on securitised assets and reported in the twelve months period ending on the Cut-off date.

Retained Securitisation Exposures

Retained exposures on securitisation of ING's own assets include the most senior tranches and the equity piece (first loss) of Memphis 2005. Economically, on a total of about EUR 13 billion underlying exposures in the four transactions mentioned above, ING has retained approximately EUR 6 million of first loss exposure and has transferred approximately EUR 1.1 billion of mezzanine and equity tranches (first and second loss) to third parties.

Securitisations originated by a company may only be considered for balance sheet derecognition when the requirements for significant credit risk transfer have been fulfilled. However, for a securitisation transaction to be recognized as for RWA reduction, risk transfer alone may be insufficient due to the increasing impact of the maturity mismatch formula. As a consequence, The RWA of the retained tranches for one of the transactions in the table above would be higher than the total RWA of the underlying pool before securitisation, and therefore that transaction is are treated for RWA purposes as if it was not securitised.

ING as Sponsor

In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPV. The transactions are funded by the ING administered multi seller Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp. (rated A-1/P-1). Despite the conditions in the international money markets Mont Blanc Capital Corp. continues to fund itself externally in the ABCP markets.

In its role as administrative agent, ING facilitates these transactions by providing structuring, accounting, funding and operations services. ING Bank also provides support facilities (liquidity and program wide enhancement) backing the transactions funded by the conduit.

The types of asset currently in the Mont Blanc Conduit include trade receivables, consumer finance receivables, credit card receivables, auto loans, RMBS and CDOs/CLOs.

Exposures Securitised as Sponsor

The total liquidity facilities, including programme wide enhancements, provided to the Mont Blanc conduit are EUR 3,240 million. The total drawn liquidity amount as of 31 December 2009 is EUR 584 million.

Securitisation in the trading book

The exposures involved are mainly synthetic Collateralized Debt Obligations (CDO's) in which the underlying credit exposures are taken on using a credit default swap rather than a vehicle buy physical assets.

The CDO's are a form of securitisation where payments from a portfolio of fixed-income assets are pooled together and passed on to different classes of owners in various tranches. The assets/loans are divided in different tranches according to their seniority: senior tranches (rated AAA), mezzanine tranches (AA to BB) and equity tranches (unrated). Losses are applied in reverse order of seniority. The CDO's in trading books are valued mark-to-market. The underlying assets are a pool of mostly Corporate Investment Grade names.

The Net Collaterised Debt Obligations position in the Trading portfolio as of 31 December 2009 is EUR –28 million (2008: EUR –83 million).

Additional Pillar 3 information (continued)

OTHER NON CREDIT OBLIGATION ASSETS

Other Non Credit Obligation Assets (ONCOA) represent assets of non credit obligation character that are not included in the SA or A-IRB calculations. Capital requirement for ONCOA as of 31 December 2009 is EUR 2,275 million (2008: EUR 2,166 million).

OPERATIONAL RISK

The Operational Risk Capital model of ING is based on a Loss Distribution Approach (LDA). The Loss Distribution is based on both external and internal loss data exceeding EUR 1 million. The model is adjusted for the scorecard results, taking into account the specific quality of control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to local (operational risk) management to better manage operational risk. The capital calculation meets industry standards and was approved in April 2008 by DNB. Originally, the model was designed for Economic Capital (99.95% confidence level) and the Financial Risk Dashboard (90% confidence level). From 2008 onwards, the model is used for regulatory capital reporting purposes as well.

The Operational Risk Capital based on AMA slightly decreased to EUR 3,309 million in 2009, from EUR 3,368 million in 2008, due the reduction of the size of ING Bank relative to the total banking industry.

MARKET RISK

The general description of market risk in ING Bank can be found in the risk paragraph of the annual report, where the organisation, measurement and management of market risk is explained. Further, for 2009 the scope for Pillar 3 non-trading exposures is in line with the risk paragraph where several banking books are governed by the trading risk process. In the 2008 Pillar 3 figures non-trading exposures are excluded from the trading governance resulting in minor differences with the 2008 numbers from the risk paragraph.

CAPITAL REQUIREMENTS

Capital requirements

	Standardised approach		Internal Model Approach		Total	
	2009	2008	**2009**	2008	**2009**	2008
Interest rate risk	**127**	255	**233**	456	**360**	711
Equity position risk			**75**	80	**75**	80
Foreign exchange risk [(1)]	**23**	194	**33**	51	**56**	245
Total	**150**	449	**341**	587	**491**	1,036

[(1)] The FX exposure under the Standardised Approach contains FX exposures on both trading and banking books.

TRADING BOOK POSITIONS

Model approach

According to the Dutch regulation, regulatory capital for trading portfolios can be calculated using the standardised approach (CAD1) or an internal model approach (CAD2). In 1998, ING received approval from the Dutch Central Bank (DNB) to use an internal Value-at-Risk (VAR) model to determine the regulatory capital for the market risk in the trading book of ING Bank. Market risk capital of CAD2 trading books is calculated according to the internal VaR model, where correlations and volatilities are taken into account. On the other hand, market risk capital of CAD1 books is calculated using standardised fixed risk weights.

In 2009, ING applied the CAD2 model for most of its trading activities. The standard CAD1 model is used for some trading books in smaller locations and / or products for which the internal model is not yet CAD2 compliant. The aim of ING is to receive CAD2 status for all its trading books. It should be noted that due to the conservative nature of the CAD1 model the capital charge for the standardised approach is much larger than for the internal model approach.

VaR Values for IMA Portfolios

	High	**Mean**	**Low**	Period-end	
	Over the reporting period 2009			**31 Dec 2009**	31 Dec 2008
Interest rate risk	**49**	**29**	**19**	**21**	40
Equity position risk	**11**	**7**	**4**	**5**	7
Foreign exchange risk	**10**	**4**	**1**	**3**	6
Diversification effect		**6**		**4**	3
Total		**35**		**25**	50

For a summary of the Value-at-Risk measurement applicable to the internal model approach please refer to the Market Risk Paragraph in the Annual Report 2009. It should be noted that the VaR figures in the above table only relate to the CAD2 trading books for which the internal model approach is applied. The VaR figures reported in the Annual Report relate to all books under trading governance.

Additional Pillar 3 information (continued)

BANKING BOOK POSITIONS

Equities

Total exposure under the Simple Risk Weight Approach at the 31 December 2009 is EUR 1,746 million (2008: EUR 1,042 million) resulting in EUR 364 million (2008: EUR 194 million) of capital requirement.

Equities Unrealised Gains and Losses		
	2009	2008
Gross unrealised gains	**2,570**	874
Gross unrealised losses	**–12**	–211
Total	**2,558**	663

Please refer to the Market Risk Segment in the Risk Management section for a description of the equity holdings and accounting methodology.

Interest rate risk

Earnings Sensitivity		
	2009	2008
By line of business		
ING Commercial Banking	**–44**	–132
ING Retail Banking	**–115**	–101
ING Direct	**–281**	5
ING Bank Corporate Line	**5**	46
Total	**–435**	–182
By Currency		
Euro	**–262**	–221
US Dollar	**–193**	36
Pound Sterling	**–26**	3
Other	**46**	
Total	**–435**	–182

Net Present Value at Risk		
	2009	2008
By line of business		
ING Commercial Banking	**–427**	–710
ING Retail Banking	**–51**	–100
ING Direct	**49**	–232
ING Bank Corporate Line	**–1,406**	–1,388
Total	**–1,835**	–2,430
By Currency		
Euro	**–1,811**	–2,140
US Dollar	**–39**	–238
Pound Sterling	**–53**	–41
Other	**68**	–11
Total	**–1,835**	–2,430

The Earnings Sensitivity and the Net Present Value at Risk are based on a 1% instantaneous upward shock. In the Risk Management section a detailed description is given on the interest rate risk in the Banking book. For 2009 the scope for Pillar 3 non-trading exposures is in line with the risk paragraph where several banking books are governed by the trading risk process. In the 2008 Pillar 3 figures non-trading exposures are excluded from the trading governance resulting in minor differences with the 2008 numbers from the risk paragraph.

DISCLAIMER

Certain of the statements contained in this Annual Report are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING Bank's core markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.

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