2007

ING Bank

Annual Report

ING

In this report

Management

COMPOSITION OF THE BOARDS

on 31 December 2007

ING Bank has a two tier board system, consisting of a Supervisory Board and an Executive Board. The Supervisory Board consists of independent non-executives. Its task is to supervise the policy of the Executive Board and the general course of events in the company and to assist the Executive Board by providing advice. The Executive Board is responsible for the daily management of the company. The composition of the Executive Board and the Supervisory Board of ING Bank N.V. was as follows:

EXECUTIVE BOARD

Michel J. Tilmant (55), chairman
Eric F. Boyer de la Giroday [1] (55)
Dick H. Harryvan (54)
John C.R. Hele (49), CFO
Eli P. Leenaars [1] (46)
Tom J. McInerney (51)
Hans van der Noordaa (46)
Koos (J.V.) Timmermans (47), CRO
Jacques M. de Vaucleroy (46)

[1] Nominated for reappointment as of 22 April 2008

SUPERVISORY BOARD

Cor A.J. Herkströter [1] (70), chairman (until 1 January 2008)
Jan H.M. Hommen (64) (chairman as of 1 January 2008)
Eric Bourdais de Charbonnière [2] (68), vice-chairman
Henk W. Breukink (57)
Peter A.F.W. Elverding (59)
Luella Gross Goldberg [3] (70)
Claus Dieter Hoffmann (65)
Piet Hoogendoorn (62)
Piet C. Klaver (62)
Wim Kok (69)
Godfried J.A. van der Lugt (67)
Karel Vuursteen (66)

[1] Retirement as of 1 January 2008
[2] Nominated for reappointment as of 22 April 2008
[3] Retirement as of 22 April 2008

ING at a glance

ING BANK IS PART OF ING GROUP

ING GROUP

Our mission
We want to deliver our financial products and services in the way our customers want them delivered: with exemplary service, maximum 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 services company providing banking, investments, life insurance and retirement services. We serve more than 75 million customers in Europe, the United States, Canada, Latin America, Asia and Australia. We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalisation (31 December 2007), ING is one of the 20 largest financial institutions worldwide.

Our strategy
Capitalising on changing customer preferences and building on our solid business capabilities, ING's strategic focus is on banking, investments, life insurance and retirement services. We want to provide retail customers with the products they need during their lives to grow savings, manage investments and prepare for retirement with confidence. We will build and invest more in bank distribution platforms. We will increasingly invest in high-growth markets. The successful execution of the strategy is underpinned by continued efficient reallocation of capital through redeploying the capital we generate in mature markets to high-growth businesses, or returning it to our shareholders. With this strategy, ING remains focused on creating value for its shareholders and rewarding them with a better total return on investment than the average of our peers in the financial sector over the longer term.

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, shareholders, employees, business partners and society at large. ING strives to be a good corporate citizen.

Our corporate responsibility
ING wants to pursue profit on the basis of sound business ethics and respect for its stakeholders. Corporate responsibility is therefore a fundamental part of ING's strategy: ethical, social and environmental factors play an integral role in our business decisions.

ING BANK

ING Bank has three business lines.

Wholesale Banking
Conducts global wholesale banking operations. The primary focus is on the Netherlands and Belgium, where we offer a full range of products to companies and other institutions. Elsewhere we take a more selective approach with regard to our clients and products. Wholesale Banking also manages ING Real Estate, the world's largest real estate investment manager based on the value of its assets under management.

Retail Banking
Offers retail banking services in the mature markets of the Netherlands and Belgium, and in the growth markets of Poland, Romania, Turkey, India and China. Private banking is offered in the Netherlands, Belgium, Luxembourg, Switzerland and various countries in Asia, Latin America and Central and Eastern Europe.

ING Direct
Operates direct retail banking activities for customers in Australia, Canada, France, Germany and Austria, Italy, Spain, the United Kingdom and the United States. The main products offered are savings accounts and mortgages, and increasingly also mutual funds and payment accounts.

Overview and Wholesale 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 Wholesale Banking, Retail Banking and ING Direct.

ING manages its banking activities on an underlying profit basis. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items. A reconciliation of net profit to underlying profit can be found in Note 41 'Primary reporting format – Business segments'.

Financial results

Despite the market and credit turmoil, the results at ING's banking business continued to be resilient supported by commercial growth in all three business lines. Total profit before tax from banking operations decreased 11.3%. Underlying profit before tax (excluding the impact of divestments and special items) decreased 3.1% to EUR 4,912 million as higher results at Retail Banking and the Corporate Line were offset by lower results at ING Direct and the Wholesale Banking product groups Financial Markets and Structured Finance.

Underlying income increased 3.4% to EUR 14,603 million. The interest result declined 2.0% as volume growth was offset by the impact of flattening and inverse yield curves and by intensified competition for savings and deposits. Loans and advances to customers increased by EUR 88.5 billion, or 20.2%, to EUR 526.3 billion. Customer deposits and other funds on deposits rose EUR 31.4 billion, or 6.3%, to EUR 528.2 billion. The total interest margin narrowed to 0.94% from 1.06% in 2006. Commission income rose 10.5%, driven by higher management fees, mainly from the investment management activities at ING Real Estate. Investment income was up 58.8% driven by higher capital gains on equities and higher rental income. Other income rose 3.5%.

Underlying operating expenses were up 6.9% to EUR 9,568 million due primarily to investments to support the growth of the business, notably at ING Direct, ING Real Estate and the Retail Banking activities in developing markets. Recurring underlying operating expenses in the mature businesses increased 2.6%. The underlying cost/income ratio deteriorated to 65.2% from 63.5% in 2006 as a result of the investments in growth businesses. The underlying net addition to the provision for loan losses increased to EUR 125 million from EUR 97 million in 2006. Risk costs were 4 basis points of average credit-risk-weighted assets, as gross additions to loan loss provisions of 23 basis points, were offset by 19 basis points in releases. Overall the loan portfolio remained healthy with limited inflow of new impaired files.

Returns remained high with the underlying risk-adjusted return on capital (RAROC) after tax at 22.3%, up from 20.5% in 2006, reflecting lower tax charges. The pre-tax RAROC was stable at 26.2%. In the RAROC calculations, actual risk costs of 4 basis points are replaced by 25 basis points in expected losses reflecting average credit losses over the economic cycle.

WHOLESALE BANKING

Wholesale Banking achieved resilient results in 2007 in what was a very challenging business environment and with financial markets experiencing significant turbulence. Profitable growth was achieved by concentrating on the needs of clients and on high value-added products, especially in the home markets. There was also a focus on reducing expenses, improving capital efficiency and stimulating growth.

Wholesale Banking's underlying profit before tax declined 5.0% to EUR 2,399 million. Higher profits were recorded in General Lending & Payments and Cash Management, Leasing & Factoring, ING Real Estate and Other Wholesale Products. Underlying profit from Structured Finance decreased 20.6% to EUR 409 million, including a markdown of EUR 29 million on the Leveraged Finance book in the third quarter of 2007. Financial Market profit declined 30.5% to EUR 354 million. The subprime crisis and related issues had a negative pre-tax impact on Financial Market profit of EUR 106 million in the fourth quarter of 2007. Total underlying income rose 1.0% to EUR 5,860 million driven by ING Real Estate and Other Wholesale Products, while income from Financial Markets activities declined 11.2%. Underlying operating expenses remained under control, rising 5.2% to EUR 3,576 million. Fast growing ING Real Estate contributed 2.8%-point to this increase. The underlying cost/income ratio increased to 61.0% from 58.6% in 2006. The underlying risk-adjusted return on capital (RAROC) after tax from Wholesale Banking declined to 20.3% from 20.6% in 2006.

Integral part of ING's strategy

Wholesale Banking plays an integral role in ING, attracting new business and generating profitable growth through a number of channels, including general lending, leasing and structured finance. Wholesale Banking also offers the Group key skills in balance sheet management, including funding and liquidity management. In 2007, Wholesale Banking deepened its client relationships, closed a number of landmark deals, reduced costs and improved returns through more efficient use of capital.

General Lending & PCM volumes growth

Volumes increased in both General Lending and Payments & Cash Management over the year due to concerted efforts in the Benelux and growth initiatives in Central and Eastern Europe. General Lending is used as an entry product across all regions to attract customers and to cross-sell high-value products.

Robust demand for Structured Finance

Structured Finance generally had a good year due to robust demand and solid revenue growth in most product areas. The one exception was Leveraged Finance where the markets came largely to a halt in the second half due to concerns about credit quality in the global credit markets.

Wholesale Banking and Retail Banking

Solid growth in Leasing & Factoring
Leasing & Factoring saw a large increase in volumes and income due to solid growth in general leasing despite pressure on margins, as well as efforts to cross-sell services to corporate clients. ING Lease maintained its number five position among European international leasing companies. The year also saw further expansion and volume growth in the buoyant Central and Eastern European markets, including new operations in the Ukraine and the acquisition of Citileasing in Hungary.

Financial Markets building on success
Clients and products business held up well, in line with our aim to diversify away from proprietary risk businesses, including proprietary trading and the Assets & Liability Committee. Financial Markets continues to seek cross-selling opportunities across product areas and clients groups, including a new strategy to target emerging markets. Financial Markets saw a drop in income due to much lower trading income in difficult trading conditions.

ING Real Estate the global leader
ING Real Estate had another year of solid growth, with assets under management increasing by 10% over the year, its loan portfolio growing by 42% and a development portfolio growing to EUR 3 billion. At the year end ING Real Estate's total portfolio was EUR 107.2 billion up 18% on 2006 and profit before tax increased by 5.2% to EUR 664 million.

Looking forward
Wholesale Banking has a clearly defined focus and ambition to be a full-service Benelux bank, specialist products provider and to have key franchises in the emerging markets. Wholesale Banking also offers key balance sheet management skills. Priorities have been identified to provide further growth and to retain and gain competitive advantages in a difficult business environment.

RETAIL BANKING

Retail Banking performed well in 2007, especially in key product areas of mortgages and savings. Important steps were taken to improve efficiency in the mature markets and to enter high-growth markets in Central and Eastern Europe and Asia. In a financial services environment characterised by consumer power, rapid technological change and globalisation, Retail Banking aims to set the standard in convenience banking around the world.

Underlying profit before tax from Retail Banking rose 6.6% to EUR 2,062 million as strong growth in most products helped offset the impact of challenging market conditions as inverse yield curves persisted and competition intensified for retail savings. Underlying income increased 5.1% to EUR 6,396 million as a result of strong growth in almost all products. Total underlying operating expenses increased 4.3% to EUR 4,162 million driven by investments to grow the business in Poland, India, Romania and the Private Banking activities in Asia. The underlying risk-adjusted return on capital (RAROC) after tax from Retail Banking improved to 39.5% from 32.0% in 2006. The after-tax RAROC's of all regions improved.

Efficiency key in mature markets
In the Benelux, ING is concentrating on becoming more efficient and moving towards an 'internet first, advice when needed' model. Improved customer service by delivering simple and fair-priced products creating better prospects for further growth and enhanced efficiency are the key objectives of the new Dutch and Belgian retail strategies. By doing this, ING is better equipped to respond to the challenges of the competitive and economic environment.

In May 2007, ING announced that Postbank and ING Bank will join forces to create a leading Dutch retail bank with more than 8 million retail and 600,000 business customers. By combining the activities of both banks, ING will improve services and maintain a strong focus on cost-effective execution. It will operate under the ING brand from 2009 and will be based on the successful direct banking model of Postbank with enhanced access to the professional advice capabilities of ING Bank.

In line with the new Dutch retail strategy, ING Belgium is to implement a new branch service concept that focuses more on internet banking and automated cash services.

Focus on fast-developing markets
ING is well positioned in the key Central European markets of Romania and Poland and the important Asian markets of China and India. The strategy is to expand in Central and Eastern Europe and Asia and to enter selected high-growth countries by acquiring a partial or full stake in a bank or by starting up a greenfield. ING focuses on entering countries with a large population and strong GDP growth, like Turkey and Thailand, because these are the drivers for expansion of the financial services market.

The intention over the next three years is to increase the contribution that high-growth markets make to total retail banking profit. This will entail substantial investment. Also in the growth countries, initiatives are taken to prepare the business for the increasing demand for direct and simple products.

Private Banking
ING Private Banking is well positioned to capitalise on the global growth in personal wealth. The mix between onshore private banking operations (Belgium and the Netherlands) and offshore (Switzerland and Asia) provides ING with a strong platform to benefit from the worldwide potential. Onshore businesses are centred in the Benelux where ING is able to capitalise on both retail and wholesale distribution models.

Looking forward
ING Retail Banking undertook important initiatives to enhance efficiency and to drive growth. The new Dutch and Belgian strategies are focused on increasing efficiency and reducing costs to secure long term profit

Retail Banking and ING Direct

growth and executing these strategies will be an important focus for 2008.

ING will continue to expand in Central and Eastern Europe and Asia. The ambition is to increase the contribution that growth markets make to overall retail banking profit in the next three years.

ING DIRECT

ING Direct continued to invest in building the business and expanding its product offering. The company faced a challenging year, given the interest rate environment, strong competition and required repositioning of ING Direct UK, all of which impacted profit. Total client retail balances production was up EUR 35 billion (excluding negative currency effects), bringing the total balance to EUR 310.1 billion, driven by growth in own-originated mortgages of EUR 29 billion.

Against the background of continued investments in growing the business and the difficult external environment, ING Direct's underlying profit before tax declined 23.6% to EUR 530 million, compared with EUR 694 million in 2006. Total underlying income declined in 2007 by 1.7% to EUR 2,196 million due to an 8.1% lower interest result. The interest margin narrowed to 0.75% from 0.89% in 2006 as a result of higher central bank rates in the Euro, British pound and Australian currency zones and the intensified competition for retail funds. Total operating expenses increased by 7.8% to EUR 1,598 million, reflecting higher staff numbers to drive the growth in mortgages and payments accounts, preparations for the launch of ING Direct in Japan (EUR 22 million start-up costs), the consolidation of Sharebuilder in the US, as well as costs for repositioning the UK business. The underlying risk-adjusted return on capital (RAROC) after tax improved to 14.3% from 11.8% in 2006, due to lower tax charges supported by a tax asset in Germany.

Leading direct bank

Launched as an innovative financial-services company in 1997, ING Direct celebrated its tenth anniversary this year as the world's leading direct bank. It is the leading direct bank in each of the nine countries in which it operates. The aim is to become the world's most preferred consumer bank. In all of its activities, ING Direct focuses on making banking simple for customers by offering a range of straightforward and transparent banking products at low costs, combined with excellent service delivered through direct channels. The low-cost base is maintained by the use of standardised, state-of-the-art IT systems and the absence of a branch network.

Growth strategy

ING Direct continued to invest in long-term value creation in 2007, with growth being generated in three ways: an increase in customers at existing operations, geographical expansion and serving a broader range of customer needs. ING Direct USA extended its activities to new cities in 2007: Miami, Seattle and Houston. The company was already active in New York, Philadelphia, Boston, Los Angeles, San Francisco, Baltimore, Washington, Phoenix, Atlanta and Chicago. Further geographical expansion in the US is anticipated.

Organic growth was complemented by the purchase in September of NetBank, the US's oldest internet bank, and in November with the online brokerage business of the US ShareBuilder Corporation. ING-DiBa Germany bought a EUR 3.9 billion mortgage portfolio and customer rights from Hypo Real Estate Bank AG.

Further develop four major product categories

ING Direct accelerated its growth investments to a total of EUR 354 million to further support the growth of the business at the expense of short-term profit. Investments in mortgages, now firmly embedded as our second core product after savings, will continue, as well as in payment accounts and investment products.

ING Direct UK

UK savers are more rate-sensitive than in other countries due to the wide availability of rate comparison tables and an active consumer press. The Bank of England's interest rate increases as from August 2006 were not immediately fully translated into ING Direct UK's customer rates, which meant they became less attractive to people with high balances. Consequently, ING Direct UK suffered savings outflows of EUR 11 billion, excluding currency effects. It took several management, pricing and marketing actions to reverse the trend and reposition the business.

Looking forward

Growth remains the underlying theme of ING Direct's vision to become the world's most preferred consumer bank. Thereto, ING Direct continues to invest in building the business and expanding its product offering and will continue to pursue its growth strategy in a challenging market environment by further building the business – in the US, for example, where we still see much potential – and by product line – savings, mortgages, payment accounts and investment products. In the product area we will concentrate most on expanding the mortgage business, payment accounts and investment products.

THE EXECUTIVE BOARD
Amsterdam, 17 March 2008

Report of the Supervisory Board

TO THE SHAREHOLDER,

The Supervisory Board hereby presents you the 2007 annual report of ING Bank N.V. This Annual Report includes the report of the Executive Board, the Annual Accounts and Other Information.

Annual accounts and dividend

The Annual Accounts have been prepared by the Executive Board and have been discussed by the Supervisory Board. They are presented to you for adoption. Approval of the Annual Accounts will serve to ratify the actions of the Executive Board in respect of their management and the members of the Supervisory Board in respect of their supervision during the past financial year. Subject to adoption of the Annual Accounts a dividend for 2007 is proposed of EUR 1,300 million. This amount has already been paid as interim dividend to the holders of ordinary shares.

Meetings

The Supervisory Board met nine times during the year, while the Audit Committee held six meetings.

In January, the Supervisory Board held its annual full-day meeting on ING's strategy and medium-term plan including the related risks. In February, the 2006 annual figures were discussed, including the related reports from the external auditors. The quarterly figures of the first three quarters of 2007 were discussed in May, August and November respectively based on the verbal report on the discussions in the preceding Audit Committee meeting, as in every meeting. In January and May, ING's Dutch retail banking approach was tabled for the Supervisory Board meeting. One integrated bank will combine the best of ING Bank and Postbank. The Supervisory Board extensively discussed the business case, the potential reduction of employees and the IT implications. The Supervisory Board approved the proposal. In May and in November the assessment of the Executive Board of the adequacy and effectiveness of the risk management and control systems of ING as well as the significant changes made thereto was discussed.

The external auditor selection was discussed in the Supervisory Board meeting of October, following preparatory meetings of the Audit Committee in August and September. The Supervisory Board decided to nominate E&Y as the sole external auditor for ING from 2008, for appointment at the 2008 AGM.

Upon request of the Supervisory Board the restructuring of IT systems within ING in the Netherlands was discussed in the November meeting also in the context of the integration of Postbank and ING Bank in the Netherlands.

The Audit Committee discussed the quarterly and year-end figures in its meetings, as well as the half-year results on the basis of US GAAP.

Composition of the Supervisory Board

Paul van der Heijden retired from the Supervisory Board after the Annual General Meeting of Shareholders in April 2007. Cor Herkströter and Luella Gross Goldberg both agreed to stay on longer to ensure a balanced composition in the Board, although both would have retired at reaching the age of 70 in 2007. Henk Breukink, Peter Elverding, and Piet Hoogendoorn were appointed as new members.

Cor Herkströter retired as member and chairman of the Supervisory Board on 1 January 2008. Jan Hommen succeeded Cor Herkströter as chairman of the Supervisory Board and Wim Kok succeeded Jan Hommen as chairman of the Audit Committee, both on 1 January 2008. For this reason Wim Kok will not retire in 2008. Luella Gross Goldberg will retire at the Annual General Meeting of Shareholders in 2008 having stayed on one year longer.

The Supervisory Board nominates four candidates for appointment: Mr. Harish Manwani (1953, Indian nationality, as per 22 April 2008), Mr. Aman Metha (1946, Indian nationality, as per 22 April 2008) Ms. Joan Spero (1944, US nationality, as per 22 April 2008) and Mr. Jackson Tai (1955, US nationality, as per 22 April 2008). The proposed appointments were approved by the Dutch Central Bank.

Composition of the Executive Board

In April 2007, Cees Maas, vice-chairman and chief financial officer, retired from the Executive Board. The Annual General Meeting of Shareholders appointed John Hele and Koos Timmermans as chief financial officer and chief risk officer respectively.

Appreciation for the Executive Board and the ING employees

The Supervisory Board would like to thank Cor Herkströter for his significant and valuable contribution to ING and Luella Goldberg for her commitment and valuable contribution to ING. Finally the Supervisory Board would like to thank the Executive Board members for the strong performance in 2007. The Supervisory Board would also like to express its appreciation to the 125,000 employees of ING who each serve the interests of customers, shareholders and other ING stakeholders.

THE SUPERVISORY BOARD
Amsterdam, 17 March 2008

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Consolidated balance sheet of ING Bank as at 31 December

amounts in millions of euros	2007	2006
ASSETS		
Cash and balances with central banks 1	9,829	11,769
Amounts due from banks 2	48,875	39,868
Financial assets at fair value through profit and loss 3		
– trading assets	192,215	193,451
– non-trading derivatives	6,784	4,968
– designated as at fair value through profit and loss	9,146	5,220
Investments 4		
– available-for-sale	143,632	153,431
– held-to-maturity	16,753	17,660
Loans and advances to customers 5	526,323	437,774
Investments in associates 6	2,010	1,223
Real estate investments 7	3,527	3,665
Property and equipment 8	5,330	4,980
Intangible assets 9	1,883	385
Other assets 10	27,806	20,591
Total assets	994,113	894,985
EQUITY		
Shareholders' equity (parent) 11	25,511	21,298
Minority interests	1,684	1,204
Total equity	27,195	22,502
LIABILITIES		
Subordinated loans 12	18,786	18,073
Debt securities in issue 13	55,990	67,464
Amounts due to banks 14	166,972	120,839
Customer deposits and other funds on deposit 15	528,197	496,775
Financial liabilities at fair value through profit and loss 16		
– trading liabilities	148,887	127,925
– non-trading derivatives	5,569	4,296
– designated as at fair value through profit and loss	13,882	13,702
Other liabilities 17	28,635	23,409
Total liabilities	966,918	872,483
Total liabilities and equity	994,113	894,985

References relate to the notes starting on page 30 which 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	2007	2007	2006	2006	2005	2005
Interest income	**76,765**		59,159		48,152	
Interest expense	**–67,730**		–49,826		–39,007	
Interest result 30		**9,035**		9,333		9,145
Investment income 31		**809**		528		523
Net gains/losses on disposals of group companies		**138**		–45		413
Gross commission income	**4,166**		3,794		3,249	
Commission expense	**–1,240**		–1,113		–848	
Commission income 32		**2,926**		2,681		2,401
Valuation results on non-trading derivatives 33		**126**		136		215
Net trading income 34		**740**		901		421
Share of profit from associates 6		**238**		180		140
Other income 35		**580**		476		561
Total income		**14,592**		14,190		13,819
Addition to loan loss provisions 5		**125**		103		88
Other impairments 36		**–5**		16		54
Staff expenses 37		**5,421**		5,091		4,745
Other operating expenses 38		**4,597**		3,956		4,056
Total expenses		**10,138**		9,166		8,943
Profit before tax		**4,454**		5,024		4,876
Taxation 39		**753**		1,211		876
Net profit (before minority interests)		**3,701**		3,813		4,000
Attributable to:						
Shareholders of the parent		**3,589**		3,753		3,950
Minority interests		**112**		60		50
		3,701		3,813		4,000

References relate to the notes starting on page 68 which form an integral part of the consolidated annual accounts.

	2007	2006	2005
Dividend per ordinary share (in euros)	**2.80**	3.87	1.51
Total amount of dividend paid (in millions of euros)	**1,300**	1,800	700

Consolidated statement of cash flows of ING Bank

for the years ended 31 December

amounts in millions of euros		2007	2006	2005
Profit before tax		**4,454**	5,024	4,876
Adjusted for	– depreciation	**1,169**	1,088	1,031
	– addition to loan loss provisions	**125**	103	88
	– other	**90**	313	182
Taxation paid		**–579**	–1,005	–682
Changes in	– amounts due from banks, not available on demand	**–8,690**	3,117	–720
	– trading assets	**1,757**	–47,106	–29,715
	– non-trading derivatives	**94**	–157	2,550
	– other financial assets at fair value through profit and loss	**–4,107**	3,980	–2,217
	– loans and advances to customers	**–73,866**	–59,188	–57,183
	– other assets	**–5,107**	2,588	–5,346
	– amounts due to banks, not payable on demand	**15,414**	1,925	19,405
	– customer deposits and other funds on deposit	**32,748**	47,339	60,418
	– trading liabilities	**20,916**	38,780	13,442
	– other financial liabilities at fair value through profit and loss	**85**	2,140	7,816
	– other liabilities	**6,290**	–1,395	3,096
Net cash flow from operating activities		**–9,207**	–2,454	17,041
Investments and advances	– group companies	**–2,026**	–2,829	–83
	– associates	**–660**	–274	–364
	– available-for-sale investments	**–95,546**	–106,902	–94,875
	– held-to-maturity investments			–1,030
	– real estate investments	**–253**	–288	–109
	– property and equipment	**–385**	–359	–398
	– assets subject to operating leases	**–1,393**	–1,164	–991
	– other investments	**–210**	–142	–163
Disposals and redemptions	– group companies	**25**	271	665
	– associates	**223**	369	398
	– available-for-sale investments	**100,297**	89,904	65,719
	– held-to-maturity investments	**822**	1,343	245
	– real estate investments	**139**	311	651
	– property and equipment	**69**	210	179
	– assets subject to operating leases	**417**	402	392
	– other investments	**7**	16	10
Net cash flow from investing activities 43		**1,526**	–19,132	–29,754
Proceeds from issuance of subordinated loans		**2,622**	7,226	1,868
Repayments of subordinated loans		**–1,028**	–5,075	–1,159
Proceeds from borrowed funds and debt securities		**407,289**	236,902	183,258
Repayments of borrowed funds and debt securities		**–417,186**	–220,881	–180,507
Issuance of ordinary shares/capital injection [(1)]		**2,200**		
Dividends paid		**–1,300**	–1,800	–701
Net cash flow from financing activities		**–7,403**	16,372	2,759
Net cash flow 44		**–15,084**	–5,214	–9,954
Cash and cash equivalents at beginning of year		**–4,352**	969	10,318
Effect of exchange rate changes on cash and cash equivalents		**47**	–107	605
Cash and cash equivalents at end of year 45		**–19,389**	–4,352	969

[(1)] Included in Issuance of ordinary share/capital injection is an amount of EUR 2,200 million additional share premium received from ING Group to strengthen solvency. No shares were issued in exchange for this amount.

Cash and cash equivalents at 31 December 2007 of EUR –19,389 million includes Cash and balances with central banks of EUR 9,829 million. Reference is made to Note 45 ‘Cash and cash equivalents’.

References relate to the notes starting on page 79 which 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 2005	525	6,992	7,377	14,894	508	15,402
Implementation IAS 32/39			2,302	2,302	–171	2,131
Unrealised revaluations after taxation			–260	–260		–260
Realised gains/losses transferred to profit and loss			–147	–147		–147
Changes in cash flow hedge reserve			238	238		238
Employee stock options and share plans			27	27		27
Exchange rate differences			1,009	1,009		1,009
Other revaluations			19	19	145	164
Total amount recognised directly in equity			886	886	145	1,031
Net profit			3,950	3,950		3,950
			4,836	4,836	145	4,981
Dividends (1)			–701	–701		–701
Balance as at 31 December 2005	525	6,992	13,814	21,331	482	21,813
Unrealised revaluations after taxation			–1,131	–1,131		–1,131
Realised gains/losses transferred to profit and loss			–184	–184		–184
Changes in cash flow hedge reserve			–423	–423		–423
Employee stock options and share plans			52	52		52
Exchange rate differences			–260	–260		–260
Other revaluations			–40	–40	662	622
Total amount recognised directly in equity			–1,986	–1,986	662	–1,324
Net profit			3,753	3,753	60	3,813
			1,767	1,767	722	2,489
Dividends (2)			–1,800	–1,800		–1,800
Balance as at 31 December 2006	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**
Employee stock options and share plans			**61**	**61**		**61**
Exchange rate differences			**–360**	**–360**		**–360**
Other revaluations			**–87**	**–87**	**368**	**281**
Total amount recognised directly in equity			**–276**	**–276**	**368**	**92**
Net profit			**3,589**	**3,589**	**112**	**3,701**
			3,313	**3,313**	**480**	**3,793**
Dividends (3)			**–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**

(1) 2005 interim dividend of EUR 1.51 per ordinary share.
(2) 2006 interim dividend of EUR 3.87 per ordinary share.
(3) 2007 interim dividend of EUR 2.80 per ordinary share.

In 2007, deferred taxes for the year with regard to unrealised revaluations amounted to EUR 810 million (2006: EUR 786 million). For details on deferred tax see Note 17 'Other liabilities'.

Reserves include Revaluation reserve of EUR 2,105 million (2006: EUR 2,295 million; 2005: EUR 4,152 million), Currency translation reserve of EUR –18 million (2006: EUR 42 million; 2005: EUR 183 million) and Other reserves of

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

EUR 13,707 million (2006: EUR 11,444 million; 2005: EUR 9,479 million). Changes in individual components are presented in Note 11 ‘Shareholders’ equity (parent)’.

In 2007, the amount included for Minority interests in Other revaluations relates mainly to the acquisition of Lastman BV.

In 2007, an amount of EUR 2,200 million additional share premium is received from ING Group to strengthen solvency.

In 2006, the amount included for Minority interests in Other revaluations relates mainly to the acquisition of Summit REIT. For details refer to Note 25 ‘Companies acquired and companies disposed’.

For details on Implementation IAS 32/39 refer to Section 'Implementation of IAS 32 and IAS 39' at the end of the Accounting policies section.

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 2007 were authorised for issue in accordance with a resolution of the Executive Board on 17 March 2008. ING Bank N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principle activities of ING Bank are described in 'ING at a glance' on page 4.

BASIS OF PRESENTATION

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

IFRS 7 'Financial Instruments: Disclosure' became effective as of 1 January 2007. Also during the year IFRIC 11 'Group and treasury share transactions' became effective. Neither of these recent standards and interpretations has had a material effect on equity nor profit for the period. Recently issued standards and interpretations that became effective after 1 January 2007 are not expected to have a material effect on equity or profit for the period. ING Bank has not early adopted any new International Financial Reporting Standard or interpretation.

International Financial Reporting Standards as adopted by the EU provide several options in accounting policies. ING Bank's accounting policies under International Financial Reporting Standards as adopted by the EU 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.

As permitted by IFRS-EU ING Bank adopted IAS 32 and IAS 39 for the accounting period beginning on 1 January 2005. For the resulting changes in policies made as at 1 January 2005 see section 'Implementation of IAS 32 and IAS 39' at the end of the 'Accounting policies' section.

As explained in the section 'Principles of valuation and determination of results' and in Note 19 'Derivatives and hedge accounting' ING Bank applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU.

CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

The presentation of, and certain terms used in, the balance sheet, the profit and loss account, cash flow statement, statement of changes in equity and certain notes have been changed to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation.

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 financial assets and liabilities 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 VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities are determined using quoted market prices, where available. Market prices are 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. Furthermore, additional fair value adjustments may be necessary for liquidity or outdated data because transactions in a particular financial instrument do not take place on a regular basis.

For certain financial assets and liabilities no quoted market prices are 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 the pricing factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is done 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.

See Note 29 ‘Fair values of financial assets and liabilities’ for the basis of the determination of the fair values of the financial instruments.

EMPLOYEE BENEFITS

Group companies operate various defined benefit retirement plans covering a significant number of its domestic and international 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.

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, health care costs trend rates, 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 and the excess is then amortised over the employees’ expected average remaining working lives. See Note 17 ‘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 each of those 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 24 ‘Principal subsidiaries’.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the 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 price, net of directly attributable transaction costs, and the net assets is included in net profit.

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 the 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 result 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.

SEGMENTAL REPORTING

A business 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 business segments. A geographical segment 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. The business lines of the Bank are the primary segment reporting format. The geographical segments are considered the secondary.

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. Foreign exchange gains and losses 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.

Translation 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. Translation differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Translation differences in the profit and loss account are generally included in Net trading income. Refer to Note 34 'Net trading income', which discloses the amounts included in profit and loss. Translation 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 translation differences deferred in equity are recognised in the profit and loss account in Net gains and losses on disposals of group companies. Refer also to Note 11 'Shareholders' equity (parent)', which discloses the amounts included in profit and loss.

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

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 such 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 on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate ruling at the balance sheet date.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES
The fair values of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) are based on quoted market prices at the balance sheet date. 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.

See Note 29 'Fair value of financial assets and liabilities' for the basis of the determination of the fair value of financial instruments.

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 to their 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 value is 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.

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.

ING Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, 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.

ING Bank applies fair value hedge accounting for 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.

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. Assessment is made when the Bank first becomes party to the contract. Subsequent reassessment is made only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

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 in 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 will affect net profit. 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 immediately transferred to the profit and loss account.

Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly 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 do not qualify for hedge accounting under the 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.

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 that the Bank commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date that 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.

CLASSIFICATION OF FINANCIAL INSTRUMENTS
Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss comprise two sub-categories: financial assets held for trading and other 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. Designation by management will only take place 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 recognised in Investment income in the profit and loss account generally when the dividend has been declared. For all financial assets classified as at fair value through profit and loss changes in fair value are recognised in Net trading income.

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

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 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 recognised in Investment income in the profit and loss account generally 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.

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.

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 are included in the following balance sheet lines: Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets. Interest income from loans and receivables is recognised in Interest income in the profit and loss account using the effective interest method.

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.

Credit risk management classification
In relation to credit risk management disclosures provided in the 'Risk management' section, classification follows the credit risk management characteristics of the instrument. The relationship between risk classifications and the classifications above is explained below:

– Lending risk arises when ING 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 credit commitments in respect of off balance sheet items e.g. financial guarantees.
– Investment risk comprises the credit default and migration risk that is associated with ING's investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity).
– Money market risk arises when ING 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 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).
– 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. Settlement risk mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

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 recorded as Loans and advances to customers or Amounts due from banks, as appropriate. The difference between sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method.

LOAN LOSS PROVISIONS

The 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 or delays 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 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.
– 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 exist currently. 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

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

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. Though 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.

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 decrease the amount of the loan loss provision and are recognised in the profit and loss account.

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.

IMPAIRMENT OF OTHER FINANCIAL ASSETS

The Bank assesses at each balance sheet date 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.) 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 profit – 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 profit or loss, 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, the following:

- Representation on the board of directors
- Participation in the policy making 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 the transaction provides 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 recorded 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.

Fair value of real estate investments is based on regular appraisals by independent qualified valuers. Each year a valuation is made, either by an independent valuer or internally, of every property. 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 5 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 profit 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.

The fair value of land and buildings is based on regular appraisals by independent qualified valuers. Subsequent expenditure is included in the assets 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 under construction

Land and buildings under construction (including real estate investments) are stated at the directly attributable purchase and construction costs incurred up to the balance sheet date plus borrowing costs incurred during construction and the Bank's own development and supervision expenses, where necessary, less impairment losses.

Property held for sale

Property held for sale comprises properties obtained from foreclosures and property developed for sale for which there is no specifically negotiated contract. These properties are stated at the lower of cost and net realisable value. Cost includes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where the net realisable value is lower than the carrying amount, the impairment is recorded in the profit and loss account.

Property under development for third parties

Property under development 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 the Bank's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on completion date of the property).

Property under development where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition).

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 2 to 5 years and 4 to 10 years for fixtures and fittings. Expenditures for maintenance and repairs are 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 the 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.

LEASES

The Bank as the lessee

The leases entered into by the 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.

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

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.

PURCHASE ACCOUNTING, GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill
The 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. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the 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 date of implementing IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on those acquisitions were charged directly to shareholders' equity. Goodwill is allocated to cash-generating units for the purpose of impairment testing. These cash-generating 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 cash generating 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 of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded 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 recorded 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 profit 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

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 the 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 comprise two sub-categories: financial liabilities held for trading and other financial liabilities designated at fair value through profit and loss by management. Designation by management will only take place if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. All other financial liabilities are measured at amortised cost.

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.

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.

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

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 an 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 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 revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or 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 the 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, from 2007 ING Bank generally provides 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.

FIDUCIARY ACTIVITIES

The 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.

IMPLEMENTATION OF IAS 32 AND IAS 39

ING Bank applies IFRS-EU since 2004. However, as permitted by IFRS 1 ING Bank implemented IAS 32 and IAS 39 as of 1 January 2005.

The key differences between the former accounting policies under Dutch GAAP and IFRS-EU as applied as from 1 January 2005 for financial instruments and their transitional impact on equity as at 1 January 2005 are summarised below.

Impact of IAS 32/39

amounts in millions of euros	As at 1 January 2005
Available-for-sale debt securities	3,923
Derivatives/hedge accounting/fair value option	–911
Loans and advances to customers	293
Loan loss provisions	476
Other	–71
Taxation	–1,408
IFRS-EU impact on net profit and shareholders' equity	2,302
Classification of equity instruments – Minority interests	–158
Minority interests in equity	–13
IFRS-EU impact on net profit and Bank equity	2,131

Available-for-sale debt securities
Under IFRS-EU, quoted debt securities (non-trading) other than those designated as being held-to-maturity are reported at fair value, with changes in fair value recognised in a revaluation reserve in equity; realised results are recognised directly in the profit and loss account. Under Dutch GAAP, debt securities were reported at amortised cost; realised results were deferred and amortised over the remaining term.

Derivatives
Under IFRS-EU, all derivatives (including embedded derivatives that are not closely related to the host contract) are reported at fair value. Under Dutch GAAP, non-trading derivatives were valued similarly to the item being hedged (mainly at cost); realised results were deferred and amortised over the remaining term.

Hedge accounting
Under IFRS-EU, for derivatives qualifying as cash flow hedges and net investment hedges, the fair value movements are initially deferred in equity and subsequently released to the profit and loss account in the same period in which the hedged item affects profit and loss. For fair value hedges, the valuation of the hedged item is adjusted to reflect the hedged risk; this fair value adjustment on the hedged item is reported in the profit and loss account and (partly) offsets the fair value impact of the derivative that is also reported in the profit and loss account. Under Dutch GAAP, non-trading derivatives used for risk management purposes were valued similarly to the item being hedged (mainly at cost).

Fair value option
As an alternative to hedge accounting under IFRS-EU, financial assets and liabilities may be designated at fair value through profit and loss, which results in these being presented at fair value, with all changes in fair value recognised directly in the profit and loss account. Furthermore, the fair value option is applied to certain financial liabilities that are subject to market-making activities.

Loans and advances to customers
Under both Dutch GAAP and IFRS-EU loans are measured at amortised cost. Under IFRS-EU, certain fees/costs are capitalised and amortised whilst under Dutch GAAP they were expensed immediately (e.g. mortgage broker fees). The amortisation of premiums, discounts and fees under IFRS-EU is based on effective yield whereas under Dutch GAAP these were amortised on a straight-line basis. Under IFRS-EU, realised results are reported in net profit. Under Dutch GAAP these were amortised over the remaining term (e.g. certain prepayment penalties on mortgages).

Loan loss provisions
Under IFRS-EU loan loss provisions are determined under a revised methodology based on a narrow interpretation of an incurred loss model. The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Bank provided in prior years to adequately capture various subjective and judgemental aspects of credit risk assessment which were not considered on an individual basis.

Venture capital investments
Under Dutch GAAP, venture capital investments were reported at the lower of cost or fair value. Under IFRS-EU, venture capital investments are reported at fair value.

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

Equity securities
Under Dutch GAAP, negative revaluations on equity securities were only charged to the profit and loss account as an impairment when triggered by the financial condition of the issuer. Under IFRS-EU, an impairment is also triggered by a significant or prolonged decline of the market value below cost. This did not affect the Bank's equity at the date of transition to IFRS-EU.

Classification of equity instruments
Under Dutch GAAP, preference shares and trust preferred securities were classified as equity in accordance with their legal form. Under IFRS-EU, the terms and conditions of ING Bank's preference shares and trust preferred securities require them to be classified as liabilities.

Taxation
Deferred taxation was adjusted for the (deferred) tax effect of the above differences between Dutch GAAP and IFRS-EU.

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

The cash flow statement 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 profit 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 cash flow statement, 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 only relates 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 profit before tax and is shown separately in the cash flow statement.

The difference between the net cash flow in accordance with the cash flow statement and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is separately accounted 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

	2007	2006
Amounts held at central banks	**8,374**	10,511
Cash and bank balances	**1,455**	1,258
	9,829	11,769

2 AMOUNTS DUE FROM BANKS

Amounts due from banks

	Netherlands		International		Total	
	2007	2006	2007	2006	2007	2006
Loans and advances to banks	**14,451**	4,660	**31,339**	31,751	**45,790**	36,411
Cash advances, overdrafts and other balances	**1,065**	285	**2,033**	3,176	**3,098**	3,461
	15,516	4,945	**33,372**	34,927	**48,888**	39,872
Loan loss provision	**–11**		**–2**	–4	**–13**	–4
	15,505	4,945	**33,370**	34,923	**48,875**	39,868

Amounts due from banks as at 31 December 2007 included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 2,472 million (2006: EUR 2,249 million), and assets held under finance lease contracts amounted to EUR 232 million (2006: EUR 277 million).

As at 31 December 2007, the non-subordinated receivables amounted to EUR 48,705 million (2006: EUR 39,774 million) and the subordinated receivables amounted to EUR 170 million (2006: EUR 94 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

	2007	2006
Trading assets	**192,215**	193,451
Non-trading derivatives	**6,784**	4,968
Designated as at fair value through profit and loss	**9,146**	5,220
	208,145	203,639

Trading assets by type

	2007	2006
Equity securities	**9,699**	14,199
Debt securities	**37,330**	38,282
Derivatives	**29,021**	22,513
Loans and receivables	**116,165**	118,457
	192,215	193,451

As at 31 December 2007, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 4 million (2006: EUR 13 million) and nil (2006: nil), respectively. As at 31 December 2007, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 386 million (2006: EUR 42 million) and EUR 629 million (2006: EUR 4,303 million) respectively.

Non-trading derivatives by type

	2007	2006
Derivatives used in		
– fair value hedges	**1,907**	1,047
– cash flow hedges	**3,145**	2,675
– hedges of net investments in foreign operations	**25**	1
Other non-trading derivatives	**1,707**	1,245
	6,784	4,968

Designated as at fair value through profit and loss by type

	2007	2006
Equity securities	**1,796**	257
Debt securities	**6,922**	4,658
Loans and receivables	**428**	305
	9,146	5,220

In 2007 and 2006 there was no significant 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.

The fair value of credit derivatives held to mitigate exposure to credit risk on debt securities was EUR –10 million (2006: EUR –2 million), and the change in their fair value in the period was nil (2006: nil).

As at 31 December 2007, trading assets include receivables of EUR 114,897 million (2006: EUR 118,053 million) with regard to reverse repurchase transactions.

4 INVESTMENTS

Investments by type

	2007	2006
Available-for-sale		
– equity securities	**3,627**	1,898
– debt securities	**140,005**	151,533
	143,632	153,431
Held-to-maturity		
– debt securities	**16,753**	17,660
	16,753	17,660
	160,385	171,091

The fair value of the securities classified as held-to-maturity amounts to EUR 16,354 million at 31 December 2007 (2006: EUR 17,494 million).

Changes in investments – available-for-sale and held-to-maturity

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Opening balance	**1,898**	2,147	**151,533**	159,052	**17,660**	18,937	**171,091**	180,136
Additions	**546**	187	**94,278**	99,476			**94,824**	99,663
Amortisation			**–281**		**–59**		**–340**	
Transfers	**–6**	–107	**–9**	–103		110	**–15**	–100
Changes in the composition of the group	**1**	–30	**1,281**	–9,655			**1,282**	–9,685
Changes in unrealised revaluations	**1,968**	143	**–2,444**	–2,798			**–476**	–2,655
Impairments	**–17**	–17	**–57**				**–74**	–17
Disposals and redemptions	**–657**	–359	**–99,640**	–89,545	**–822**	–1,343	**–101,119**	–91,247
Exchange rate differences	**–106**	–66	**–4,656**	–4,894	**–26**	–44	**–4,788**	–5,004
Closing balance	**3,627**	1,898	**140,005**	151,533	**16,753**	17,660	**160,385**	171,091

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

Included in transfers of available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
To/from available-for-sale	**3**		**–3**	12				12
To/from loans and advances			**–6**				**–6**	
To/from fair value through profit and loss		–55		–164				–219
To/from Investment in associates	**–8**	–56					**–8**	–56
To/from Other assets/Other liabilities	**–1**	4		49		110	**–1**	163
	–6	–107	**–9**	–103		110	**–15**	–100

Available-for-sale equity securities – listed and unlisted

	2007	2006
Listed	**3,310**	1,093
Unlisted	**317**	805
	3,627	1,898

As at 31 December 2007, the balance sheet value included equity securities which were lent in repurchase transactions amounting to nil (2006: nil). As at 31 December 2007, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 3,635 million and EUR 36,015 million respectively (2006: EUR 1,324 million and EUR 35,358 million).

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 170 million as at 31 December 2007 (2006: EUR 460 million).

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers analysed by type

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Loans to, or guaranteed by, public authorities	**14,679**	16,450	**8,961**	9,503	**23,640**	25,953
Loans secured by mortgages	**141,314**	120,753	**132,614**	87,457	**273,928**	208,210
Loans guaranteed by credit institutions	**1,951**	2,087	**590**	321	**2,541**	2,408
Other personal lending	**6,975**	6,484	**17,784**	16,422	**24,759**	22,906
Other corporate loans	**102,821**	91,384	**100,622**	89,551	**203,443**	180,935
	267,740	237,158	**260,571**	203,254	**528,311**	440,412
Loan loss provisions	**–654**	–733	**–1,334**	–1,905	**–1,988**	–2,638
	267,086	236,425	**259,237**	201,349	**526,323**	437,774

Loans and advances to customers analysed by subordination

	2007	2006
Non-subordinated	**525,072**	437,249
Subordinated	**1,251**	525
	526,323	437,774

As at 31 December 2007, 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 4,569 million (2006: EUR 1,554 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 detail on significant concentrations see 'Risk management' section.

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

Finance lease receivables

	2007	2006
Maturities of gross investment in finance lease receivables		
– within 1 year	**6,473**	4,641
– more than 1 year but less than 5 years	**8,448**	8,061
– more than 5 years	**3,753**	3,346
	18,674	16,048
Unearned future finance income on finance leases	**–3,109**	–2,684
Net investment in finance leases	**15,565**	13,364
Maturities of net investment in finance lease receivables		
– within 1 year	**5,337**	3,943
– more than 1 year but less than 5 years	**7,060**	6,813
– more than 5 years	**3,168**	2,608
	15,565	13,364
Included in		
– Amounts due from banks	**232**	277
– Loans and advances to customers	**15,333**	13,087
	15,565	13,364

The allowance for uncollectible finance lease receivables included in the loan loss provisions amounted to EUR 33 million at 31 December 2007 (2006: EUR 47 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
	2007	2006	2007	2006	2007	2006
Loans secured by public authorities			**1**	2	**1**	2
Loans secured by mortgages	**96**	96	**203**	177	**299**	273
Loans guaranteed by credit institutions	**11**		**3**	6	**14**	6
Other personal lending	**181**	357	**374**	408	**555**	765
Other corporate loans	**377**	280	**755**	1,316	**1,132**	1,596
	665	733	**1,336**	1,909	**2,001**	2,642
Included in						
– Amounts due from banks	**11**		**2**	4	**13**	4
– Loans and advances to customers	**654**	733	**1,334**	1,905	**1,988**	2,638
	665	733	**1,336**	1,909	**2,001**	2,642

Changes in the loan loss provisions

	2007	2006
Opening balance	**2,642**	3,313
Changes in the composition of the group	**98**	–101
Write-offs	**–952**	–691
Recoveries	**59**	86
Increase in loan loss provisions	**125**	103
Exchange rate differences	**–19**	–67
Other changes	**48**	–1
Closing balance	**2,001**	2,642

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2007	Interest held (%)	Fair value of listed asso-ciates	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	25		402	16,028	15,002	180	436
ING Industrial Fund Australia	18	303	303	3,124	1,338	411	168
ING Real Estate Asia Retail Fund	46		189	791	399	29	2
ING Retail Property Fund Australia	29		150	958	399	179	100
Lion Properties Fund	5		147	4,502	1,666	660	155
Lion Industrial Trust	9		142	3,001	1,157	387	106
Lion Value Fund	33		92	423	143	76	14
ING Office Fund Australia	6	69	83	2,134	763	443	152
Lion Gables Real Estate Investment Trust	6		44	1,673	861	186	120
Steadfast Capital Fund II LP	68		44	83		19	1
Equens N.V.	30		39	118	63	90	87
ING Korea Property Investments	15		34	382	221	89	47
ING Nationale-Nederlanden PTE	20		27	146	8	119	47
Other investments in associates			314				
			2,010				

Accumulated impairments have been recognised of EUR 24 million (2006: EUR 3 million).

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.

Investments in associates

2006	Interest held (%)	Fair value of listed associates	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Lion Properties Fund	5		144	3,904	1,049	567	155
Lion Industrial Trust	10		142	2,495	1,080	327	100
ING Industrial Fund Australia	12	157	165	1,685	617	250	53
ING Global fund	10		56	600	40	179	4
Lion Gables Real Estate Investment Trust	6		45	1,646	805	279	147
ING Retail Property Fund Australia	29		124	744	321	66	21
ING Korea Property Investments	15		32	458	248	30	31
ING Office Fund Australia	6	62	60	1,548	627	272	69
Other investments in associates			455				
			1,223				

Changes in investments in associates

	2007	2006
Opening balance	1,223	1,188
Additions	660	274
Changes in the composition of the group	210	–1
Transfers to and from Investments	8	56
Revaluations	–3	32
Share of results	238	180
Dividends received	–60	–48
Disposals	–223	–369
Impairments		–3
Exchange rate differences	–44	–80
Other changes	1	–6
Closing balance	2,010	1,223

In 2007, share of results of EUR 259 million less impairment of EUR –21 million are presented in the profit and loss account in Share of profit from associates EUR 238 million.

7 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2007	2006
Opening balance	3,665	1,745
Additions	253	288
Changes in the composition of the group	–450	2,132
Transfers to and from Other assets	–1	–198
Fair value gains/(losses)	93	68
Disposals	–139	–311
Exchange rate differences	106	–59
Closing balance	3,527	3,665

The total amount of rental income recognised in profit or loss for the year ended 31 December 2007 was EUR 307 million (2006: EUR 169 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2007 was nil (2006: 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 2007 was EUR 49 million (2006: EUR 97 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 2007 was EUR 6 million (2006: EUR 9 million).

Appraisal of real estate investments during the last five years by independently qualified valuers (in percentages)

year of appraisal	
2007	53
2006	47
2005	0
2004	0
2003	0
	100

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2007	2006
Property in own use	1,470	1,341
Equipment	966	954
Assets subject to operating leases	2,894	2,685
	5,330	4,980

Changes in property in own use

	2007	2006
Opening balance	1,341	1,460
Additions	33	61
Changes in the composition of the group	96	–12
Transfers to/from Other assets	–5	4
Depreciation	–31	–53
Revaluations	39	69
Impairments		–3
Reversal of impairments	14	7
Disposals	–23	–185
Exchange rate differences	6	–7
Closing balance	1,470	1,341
Gross carrying amount as at 31 December	2,234	2,105
Accumulated depreciation as at 31 December	–652	–636
Accumulated impairment as at 31 December	–112	–128
Net book value	1,470	1,341
Revaluation surplus		
Opening balance	560	523
Revaluation in year	23	37
Closing balance	583	560

The cost or purchase price amounted to EUR 1,651 million (2006: EUR 1,545 million). Cost less accumulated depreciation would have been EUR 999 million (2006: EUR 908 million).

Appraisal of property in own use during the last five years by independently qualified valuers (in percentages)

year of appraisal	
2007	30
2006	23
2005	30
2004	4
2003	13
	100

Changes in equipment

	Data processing equipment 2007	2006	Fixtures and fittings and other equipment 2007	2006	Total 2007	2006
Opening balance	**231**	257	**723**	737	**954**	994
Additions	**126**	123	**226**	175	**352**	298
Changes in the composition of the group	**7**	–7	**13**	1	**20**	–6
Disposals	**–18**	–5	**–28**	–20	**–46**	–25
Depreciation	**–133**	–145	**–158**	–163	**–291**	–308
Impairments	**–1**		**–1**		**–2**	
Exchange rate differences		–3	**–6**	–6	**–6**	–9
Other changes	**4**	11	**–19**	–1	**–15**	10
Closing balance	**216**	231	**750**	723	**966**	954
Gross carrying amount as at 31 December	**1,236**	1,229	**2,223**	2,136	**3,459**	3,365
Accumulated depreciation as at 31 December	**–1,020**	–998	**–1,473**	–1,413	**–2,493**	–2,411
Net book value	**216**	231	**750**	723	**966**	954

Changes in assets under operating leases

	Cars 2007	2006	Other leased-out assets 2007	2006	Total 2007	2006
Opening balance	**2,671**	2,116	**14**	54	**2,685**	2,170
Additions	**1,393**	1,146		18	**1,393**	1,164
Changes in the composition of the group		417		–46		371
Disposals	**–417**	–400		–2	**–417**	–402
Depreciation	**–720**	–617	**–4**	–10	**–724**	–627
Exchange rate differences	**–37**	9			**–37**	9
Other changes	**–6**				**–6**	
Closing balance	**2,884**	2,671	**10**	14	**2,894**	2,685
Gross carrying amount as at 31 December	**4,165**	3,938	**32**	39	**4,197**	3,977
Accumulated depreciation as at 31 December	**–1,281**	–1,267	**–22**	–25	**–1,303**	–1,292
Net book value	**2,884**	2,671	**10**	14	**2,894**	2,685

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

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

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

	2007	2006
Within 1 year	**1,046**	926
More than 1 year but less than 5 years	**1,842**	1,754
More than 5 years	**6**	5
	2,894	2,685

9 INTANGIBLE ASSETS

Changes in intangible assets

		Goodwill		Software		Other		Total
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opening balance	**136**	77	**214**	212	**35**	2	**385**	291
Capitalised expenses			**100**				**100**	
Additions bought	**1,133**	65	**108**	112	**78**	19	**1,319**	196
Disposals	**–2**	–5	**–5**	–11			**–7**	–16
Amortisation			**–117**	–100	**–6**	–1	**–123**	–101
Impairments			**–14**				**–14**	
Changes in the composition of the group	**–1**		**5**	2	**233**	15	**237**	17
Exchange rate differences	**–12**	1		–1	**–5**		**–17**	
Other changes		–2	**3**				**3**	–2
Closing balance	**1,254**	136	**294**	214	**335**	35	**1,883**	385
Gross carrying amount as at 31 December	**1,254**	136	**772**	561	**342**	36	**2,368**	733
Accumulated amortisation as at 31 December			**–464**	–347	**–7**	–1	**–471**	–348
Accumulated impairments as at 31 December			**–14**				**–14**	
Net book value	**1,254**	136	**294**	214	**335**	35	**1,883**	385

Amortisation of intangible assets is included in the profit and loss account in Other operating expenses.

Additions to Goodwill include mainly EUR 1,015 million related to the acquisition of Oyak Bank and EUR 94 million to the acquisition of Sharebuilder Corporation. The increase of Other in 2007 relates to the acquisition of Oyak Bank. Reference is made to Note 25 ‘Companies acquired and companies disposed’.

10 OTHER ASSETS

Other assets by type

	2007	2006
Deferred tax assets	**2,251**	1,753
Property held for sale	**2,980**	2,232
Income tax receivable	**499**	1,066
Accrued interest and rents	**14,492**	11,460
Other accrued assets	**585**	764
Pension assets	**439**	251
Other receivables	**6,560**	3,065
	27,806	20,591

Disclosures in respect of deferred tax assets and pension assets are provided in Note 17 ‘Other liabilities’.

Included in the above table are assets measured at amortised cost under the IAS 39 classification Loans and receivables. These amount to EUR 6,087 million and are included in Accrued interest and rents above.

Property held for sale

	2007	2006
Property held for sale	**530**	356
Other		
– property obtained from foreclosures	**37**	58
– property developed for sale	**2,413**	1,818
	2,980	2,232
Gross carrying amount as at 31 December	**3,091**	2,317
Accumulated impairments as at 31 December	**–111**	–85
Net book value	**2,980**	2,232

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

EQUITY

11 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2007	2006	2005
Share capital	**525**	525	525
Share premium	**9,192**	6,992	6,992
Revaluation reserve	**2,105**	2,295	4,152
Currency translation reserve	**–18**	42	183
Other reserves	**13,707**	11,444	9,479
Shareholders' equity (parent)	**25,511**	21,298	21,331

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

As at 31 December 2007 Other reserves included an amount of EUR 566 million (2006: EUR 566 million; 2005: EUR 583 million) related to Regio Bank N.V. (formerly 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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
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 2007, 2006 or 2005.

Preference shares are presented in the balance sheet under liabilities. Reference is made to Note 17 '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 Executive 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 2007 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

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 revaluation reserve

2006	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	362	2,713	1,077	4,152
Unrealised revaluations after taxation	24	–1,274		–1,250
Realised gains/losses transferred to profit and loss		–184		–184
Changes in cash flow hedge reserve			–423	–423
Other revaluations	–1		1	
Closing balance	385	1,255	655	2,295

Changes in revaluation reserve

2005	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	322	64		386
Implementation IAS 32/39		2,570	839	3,409
Unrealised revaluations after taxation	40	226		266
Realised gains/losses transferred to profit and loss		–147		–147
Changes in cash flow hedge reserve			238	238
Closing balance	362	2,713	1,077	4,152

Changes in currency translation reserve

	2007	2006	2005
Opening balance	**42**	183	–300
Unrealised revaluations after taxation	**300**	119	–526
Exchange rate differences	**–360**	–260	1,009
Closing balance	**–18**	42	183

Changes in other reserves

2007	**Retained earnings**	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	**10,833**	**45**		**566**	**11,444**
Profit 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**

Changes in other reserves

2006	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	8,849	47		583	9,479
Profit for the year	3,770			–17	3,753
Dividend	–1,800				–1,800
Employee stock options and share plans	52				52
Other	–38	–2			–40
Closing balance	10,833	45		566	11,444

Changes in other reserves

2005	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	6,636	103		552	7,291
Implementation IAS 32/39	–1,107				–1,107
Profit for the year	3,921			29	3,950
Dividend	–701				–701
Employee stock options and share plans	27				27
Other	73	–56		2	19
Closing balance	8,849	47		583	9,479

LIABILITIES

12 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 6,397 million (2006: EUR 5,726 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 6.3% (2006: 5.9%). The interest expense during the year 2007 was EUR 1,055 million (2006: EUR 1,011 million).

13 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

	2007	2006
Fixed rate debt securities		
Within 1 year	**35,104**	48,166
More than 1 year but less than 2 years	**2,512**	1,475
More than 2 years but less than 3 years	**1,425**	2,261
More than 3 years but less than 4 years	**699**	1,824
More than 4 years but less than 5 years	**1,608**	441
More than 5 years	**776**	1,154
Total fixed rate debt securities	**42,124**	55,321
Floating rate debt securities		
Within 1 year	**7,205**	4,637
More than 1 year but less than 2 years	**487**	238
More than 2 years but less than 3 years	**989**	413
More than 3 years but less than 4 years	**1,847**	1,086
More than 4 years but less than 5 years	**396**	1,865
More than 5 years	**2,942**	3,904
Total floating rate debt securities	**13,866**	12,143
Total debt securities	**55,990**	67,464

As of 31 December 2007, ING Bank had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue, totalling EUR 6,937 million (2006: EUR 28,728 million).

14 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 2007, liabilities concerning securities sold in repurchase transactions amounted to EUR 29,604 million (2006: EUR 23,627 million).

Amounts due to banks by type

	Netherlands		International		Total	
	2007	2006	**2007**	2006	**2007**	2006
Non-interest bearing	**3,527**	2,696	**3,580**	1,035	**7,107**	3,731
Interest bearing	**72,257**	52,817	**87,608**	64,291	**159,865**	117,108
	75,784	55,513	**91,188**	65,326	**166,972**	120,839

15 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2007	2006
Savings accounts	**275,127**	283,148
Credit balances on customer accounts	**161,819**	148,270
Corporate time deposits	**86,151**	62,628
Other	**5,100**	2,729
	528,197	496,775

Customer deposits and other funds on deposit by type

	Netherlands		International		Total	
	2007	2006	2007	2006	2007	2006
Non-interest bearing	**15,100**	14,047	**3,905**	2,967	**19,005**	17,014
Interest bearing	**195,789**	181,251	**313,403**	298,510	**509,192**	479,761
	210,889	195,298	**317,308**	301,477	**528,197**	496,775

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 2007, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 3,725 million (2006: EUR 870 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.

16 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2007	2006
Trading liabilities	**148,887**	127,925
Non-trading derivatives	**5,569**	4,296
Designated as at fair value through profit and loss	**13,882**	13,702
	168,338	145,923

Trading liabilities by type

	2007	2006
Equity securities	**12,228**	20,691
Debt securities	**10,301**	9,045
Funds on deposit	**97,857**	77,245
Derivatives	**28,501**	20,944
	148,887	127,925

Non-trading derivatives by type

	2007	2006
Derivatives used in		
– fair value hedges	**718**	595
– cash flow hedges	**2,787**	1,407
– hedges of net investments in foreign operations	**85**	4
Other non-trading derivatives	**1,979**	2,290
	5,569	4,296

Designated as at fair value through profit and loss by type

	2007	2006
Debt securities	**10,902**	10,642
Funds entrusted	**756**	603
Other	**2,224**	2,457
	13,882	13,702

In 2007, 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 20 million.

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 13,845 million.

As at 31 December 2007, trading liabilities include amounts payable of EUR 93,781 million (2006: EUR 76,743 million) with regard to repurchase transactions.

17 OTHER LIABILITIES

Other liabilities by type

	2007	2006
Deferred tax liabilities	**1,836**	2,238
Income tax payable	**446**	666
Pension and post-employment liabilities	**586**	817
Other staff-related liabilities	**196**	231
Other taxation and social security contributions	**939**	834
Accrued interest	**12,102**	9,398
Costs payable	**1,835**	1,416
Reorganisation and other provisions	**1,064**	693
Property under development for third parties	**284**	
Share-based payment plan liabilities	**13**	5
Other	**9,334**	7,111
	28,635	23,409

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

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 2007 Other liabilities includes an amount of EUR 7.91 (2006: 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 2006	Change through equity	Change through net profit	Changes in composition of group	Exchange rate difference	Other 2007	Net liability 2007
Investments	187	**–554**	**15**		**44**	**–35**	**–343**
Financial assets and liabilities at fair value through profit and loss	86	**–35**	**72**		**–3**	**5**	**125**
Depreciation	34		**–4**	**–6**		**–9**	**15**
Other provisions	–182	**29**	**15**	**–18**	**1**	**26**	**–129**
Receivables	74		**–107**	**1**	**1**	**–7**	**–38**
Loans and advances to customers	100	**5**	**–14**			**–5**	**86**
Cash flow hedges	334	**–256**				**–6**	**72**
Pensions	5					**–5**	
Unused tax losses carried forward	–489	**–12**	**7**	**–1**	**28**	**–15**	**–482**
Other	336	**–207**	**60**	**28**	**4**	**58**	**279**
	485	**–1,030**	**44**	**4**	**75**	**7**	**–415**
Comprising							
– deferred tax liabilities	2,238	**–570**	**177**	**44**	**10**	**–63**	**1,836**
– deferred tax assets	–1,753	**–460**	**–133**	**–40**	**65**	**70**	**–2,251**
	485	**–1,030**	**44**	**4**	**75**	**7**	**–415**

In 2006, the deferred tax changes through equity include a deferred tax credit of EUR 618 million relating to unrealised revaluations, EUR 168 million relating to changes in the Cash flow hedge reserve. These items are presented in the Deferred tax by origin table in Investments and Cash flow hedges respectively. Other changes in deferred tax are included in the profit and loss.

Deferred tax in connection with unused tax losses carried forward

	2007	2006
Total unused tax losses carried forward	**1,906**	2,340
Unused tax losses carried forward not recognised as a deferred tax asset	**201**	553
Unused tax losses carried forward recognised as a deferred tax asset	**1,705**	1,787
Average tax rate	**28.3%**	27.4%
Deferred tax asset	**482**	489

Deferred income tax assets are recognised for tax loss carry forwards and unused tax credits only to the extent that realisation of the related tax benefit is probable. The uncertainty of the recoverability of the tax losses and tax credits is taken into account in establishing the deferred tax assets. 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	
	2007	2006	2007	2006
Within 1 year	**43**		**24**	16
More than 1 year but less than 5 years	**82**	116	**198**	366
More than 5 years but less than 10 years	**25**	47	**59**	47
More than 10 years but less than 20 years	**5**		**302**	337
Unlimited	**46**	390	**1,122**	1,021
	201	553	**1,705**	1,787

Changes in reorganisation and other provisions

	Reorganisations		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**288**	287	**405**	474	**693**	761
Changes in the composition of the group		–4	**29**	6	**29**	2
Additions	**481**	82	**171**	150	**652**	232
Interest	**9**	3			**9**	3
Releases	**–46**	–19			**–46**	–19
Charges	**–155**	–162	**–140**	–129	**–295**	–291
Exchange rate differences	**–3**		**–1**	–1	**–4**	–1
Other changes	**9**	101	**17**	–95	**26**	6
Closing balance	**583**	288	**481**	405	**1,064**	693

The provision for reorganisations at 31 December 2007 includes EUR 252 million for the restructuring of the retail business of Postbank and ING Bank and EUR 100 million for the global wholesale restructuring. The remaining term of the provision for reorganisations is generally not more than 5 years.

In general, other provisions are of a short-term nature.

Other mainly relates to year-end accruals in the normal course of business, non of which are individually material.

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 liabilities

The Bank maintains defined benefit retirement plans in the major countries in which it operates. 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 concerning 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.

Certain Bank 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.

Summary of pension and post-employment liabilities

	Pension benefits			Post-employment benefits other than pensions			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Defined benefit obligation	**9,253**	10,061	9,872	**94**	63	194	**9,347**	10,124	10,066
Fair value of plan assets	**9,463**	9,298	8,253				**9,463**	9,298	8,253
	–210	763	1,619	**94**	63	194	**–116**	826	1,813
Unrecognised past service costs				**2**	2		**2**	2	
Unrecognised actuarial gains/(losses)	**260**	–262	–998	**1**		–13	**261**	–262	–1,011
	50	501	621	**97**	65	181	**147**	566	802
Presented as									
– Other liabilities	**489**	752	621	**97**	65	181	**586**	817	802
– Other assets	**439**	251					**439**	251	
	50	501	621	**97**	65	181	**147**	566	802

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

Actuarial gains and losses for the year ended 31 December 2007 includes EUR 481 million (2006: EUR 278 million) experience loss adjustments for assets and EUR 11 million (2006: EUR 170 million) experience gain adjustment for liabilities.

During 2006 certain plans were reclassified from Other to Pension benefits. This reclassification did not have an effect on total Pension liabilities and other staff-related liabilities. This reclassification is included in the line Changes in the composition of the group and other changes in the tables below.

Changes in defined benefit obligation

	Pension benefits		Post-employment benefits other than pensions	
	2007	2006	**2007**	2006
Opening balance	**10,061**	9,872	**63**	194
Current service cost	**253**	257	**10**	1
Interest cost	**466**	452	**3**	3
Participants contributions	**3**	1		
Benefits paid	**–342**	–296	**–2**	
Actuarial gains and losses	**–1,074**	–1,013	**–1**	–13
Past service cost	**–59**	18		–1
Changes in the composition of the group and other changes	**79**	765	**22**	–34
Effect of curtailment or settlement	**–40**	–6		–87
Exchange rate differences	**–94**	11	**–1**	
Closing balance	**9,253**	10,061	**94**	63
Relating to				
– funded plans	**9,241**	10,005		
– unfunded plans	**12**	56	**94**	63
	9,253	10,061	**94**	63

The estimated unrecognised past service cost and unrecognised actuarial gains/losses for the defined benefit plans that will be amortised into pension and other staff-related liability costs during 2008 are nil and nil respectively.

Changes in fair value of plan assets

	Pension benefits	
	2007	2006
Opening balance	**9,298**	8,253
Expected return on plan assets	**542**	530
Employer's contribution	**568**	519
Participants contributions	**3**	2
Benefits paid	**–332**	–283
Actuarial gains and losses	**–481**	–278
Changes in the composition of the group and other changes	**–21**	540
Exchange rate differences	**–114**	15
Closing balance	**9,463**	9,298

The actual return on the plan assets amounted to EUR 61 million (2006: EUR 225 million).

It is not expected that any plan assets will be returned to ING Bank during 2008.

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, to the extent 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	
	2008	**2007**	2006	**2007**	2006
Equity securities	**34**	**33**	36	**8.0**	8.0
Debt securities	**53**	**52**	52	**4.6**	4.6
Other	**13**	**15**	12	**6.5**	6.5
	100	**100**	100	**6.0**	6.0

Equity securities include ING Groep N.V. ordinary shares of EUR 3 million (0.1% of total plan assets) at 31 December 2007 (2006: EUR 9 million, 0.1% of total plan assets). Plan assets do not include any real estate or other assets used by the Bank.

Determination of Expected Return on Assets
An important element for financial reporting is the assumption 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 percentage per year over the long term. This estimation 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 recorded 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 % at 31 December

	Pension benefits		Post-employment benefits other than pensions	
in percentage	**2007**	2006	**2007**	2006
Discount rates	**5.60**	4.70	**5.30**	4.70
Expected rates of salary increases (excluding promotion increases)	**2.70**	2.75	**2.90**	2.75
Medical cost trend rates			**7.00**	7.25
Consumer price inflation	**2.10**	2.00	**2.10**	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.

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 2 million at 31 December 2007 (2006: EUR 3 million) and an increase in the charge for the year of EUR 0.3 million (2006: EUR 0.4 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 at 31 December 2007 (2006: EUR 2 million) and a decrease in the charge for the year of EUR 0.2 million (2006: EUR 0.3 million).

Expected Cash Flows
During 2008 the expected contributions to pension plans are EUR 371 million.

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

Benefit payments

	Pension benefits
2008	**253**
2009	**276**
2010	**294**
2011	**299**
2012	**304**
Years 2013-2017	**1,057**

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

18 ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

Assets and liabilities by contractual maturity

2007	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	9,829						9,829
Amounts due from banks	25,938	5,736	8,705	6,591	1,905		48,875
Financial assets at fair value through profit and loss							
– trading assets [1]						192,215	192,215
– non-trading derivatives	313	133	591	2,423	3,324		6,784
– designated as at fair value through profit and loss	1,504	610	1,712	1,258	4,062		9,146
Investments							
– available-for-sale	3,345	6,620	10,126	48,924	70,990	3,627	143,632
– held-to-maturity	232	287	1,093	8,504	6,637		16,753
Loans and advances to customers	131,426	17,097	25,778	87,142	264,880		526,323
Intangible assets			98	196		1,589	1,883
Other assets	14,331	2,570	4,375	3,843	2,687		27,806
Remaining assets (where maturities are not applicable) [2]						10,867	10,867
Total assets	186,918	33,053	52,478	158,881	354,485	208,298	994,113
LIABILITIES							
Amounts due to banks	117,179	28,758	12,935	6,862	1,238		166,972
Customer deposits and other funds on deposit	466,126	23,999	26,939	8,451	2,682		528,197
Financial liabilities at fair value through profit and loss							
– trading liabilities [1]						148,887	148,887
– non-trading derivatives	236	290	425	2,206	2,412		5,569
– designated as at fair value through profit and loss	873	771	2,395	5,912	3,931		13,882
Debt securities in issue	22,263	13,899	6,148	9,962	3,718		55,990
Other liabilities	13,298	3,654	6,309	4,039	1,335		28,635
Subordinated loans	66	290	100	4,871	13,459		18,786
Total liabilities	620,041	71,661	55,251	42,303	28,775	148,887	966,918

[1] Trading assets and trading liabilities have been presented in the above table as 'Maturity not applicable' because they are held for short-term profit taking. The majority of items are debt instruments and equity instruments where the contractual maturity is generally more than 5 years.
[2] Included in remaining assets where maturities are not applicable are: Property and equipment, Real estate investments and Investments in associates.
Note: Due to their nature, Remaining assets consists mainly of assets expected to be recovered after more than 12 months.

Assets and liabilities by contractual maturity

2006	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	11,769						11,769
Amounts due from banks	19,742	5,441	2,619	7,277	4,789		39,868
Financial assets at fair value through profit and loss							
– trading assets [(1)]						193,451	193,451
– non-trading derivatives	104	66	174	1,843	2,781		4,968
– designated as at fair value through profit and loss	187	420	1,349	874	2,390		5,220
Investments:							
– available-for-sale	5,231	6,203	7,824	53,329	78,946	1,898	153,431
– held-to-maturity	87	154	563	7,683	9,173		17,660
Loans and advances to customers	107,887	13,790	21,509	74,661	219,927		437,774
Intangible assets			71	143		171	385
Other assets	9,365	1,801	5,181	3,322	922		20,591
Remaining assets (where maturities are not applicable) [(2)]						9,868	9,868
Total assets	154,372	27,875	39,290	149,132	318,928	205,388	894,985
LIABILITIES							
Amounts due to banks	90,250	15,094	10,879	4,077	539		120,839
Customer deposits and other funds on deposit	448,543	15,374	16,975	12,356	3,527		496,775
Financial liabilities at fair value through profit and loss							
– trading liabilities [(1)]						127,925	127,925
– non-trading derivatives	129	60	247	1,550	2,310		4,296
– designated as at fair value through profit and loss	617	581	2,081	6,285	4,138		13,702
Debt securities in issue	17,145	26,946	8,712	9,603	5,058		67,464
Other liabilities	11,485	2,620	5,171	2,717	1,416		23,409
Subordinated loans	271	1	773	7,451	9,577		18,073
Total liabilities	568,440	60,676	44,838	44,039	26,565	127,925	872,483

[(1)] Trading assets and trading liabilities have been presented in the above table as 'Maturity not applicable' because they are held for short-term profit taking. The majority of items are debt instruments and equity instruments where the contractual maturity is generally more than 5 years.
[(2)] Included in remaining assets where maturities are not applicable are: Property and equipment, Real estate investments and Investments in associates.
Note: Due to their nature, Remaining assets consists mainly of assets expected to be recovered after more than 12 months.

19 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'.

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

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; they do however not represent amounts at risk. ING Bank uses credit derivatives in managing 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 impacts the net profit.

For the year ended 31 December 2007, ING Bank recognised in the profit and loss account EUR 888 million (2006: EUR 203 million) of fair value changes on derivatives designated under fair value hedge accounting. This amount was offset by EUR 842 million (2006: EUR 234 million) fair value changes recognised on hedged items. This resulted in EUR 46 million net accounting ineffectiveness recognised in the profit and loss account. At 31 December 2007, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR 1,189 million positive (2006: EUR 452 million negative), presented in the balance sheet as EUR 1,907 million (2006: EUR 1,047 million) positive fair values under assets and EUR 718 million (2006: EUR 595 million) negative fair values under liabilities.

ING Bank applies fair value hedge accounting for 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.

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 across 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 recorded in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest income consistently with the manner in which the forecast cash flows affect net profit. 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 2007, ING Bank recognised EUR –227 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 at 31 December 2007 was EUR 500 million (2006: EUR 990 million) gross and EUR 428 million (2006: EUR 655 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes on 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 30 years, with the largest concentration in the range of 1 year to 10 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR 4 million (2006: EUR 7 million) was recognised in the profit and loss account.

At 31 December 2007, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR 358 million positive (2006: EUR 1,268 million positive), presented in the balance sheet as EUR 3,145 million (2006: EUR 2,675 million) positive fair values under assets and EUR 2,787 million (2006: EUR 1,407 million) negative fair values under liabilities.

At 31 December 2007 and 31 December 2006, 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 1,341 million (2006: EUR 2,756 million) and EUR 1,083 million (2006: EUR 2,450 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 recorded 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.

At 31 December 2007, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR 60 million negative (2006: EUR 3 million negative), presented in the balance sheet as EUR 25 million (2006: EUR 1 million) positive fair values under assets and EUR 85 million (2006: EUR 4 million negative) negative fair values under liabilities.

At 31 December 2007 and 31 December 2006, there were no 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 2007 on derivatives and non-derivatives designated under net investment hedge accounting was nil (2006: nil).

20 MAXIMUM CREDIT EXPOSURE

ING's maximum credit exposure as at 31 December 2007 and 2006 is represented as follows:

Maximum credit exposure

	2007	2006
Cash and balances with central banks	**9,829**	11,769
Amounts due from banks		
– loans and advances to banks	**45,777**	36,407
– cash advances, overdrafts and other balances	**3,098**	3,461
Trading assets		
– debt securities	**37,330**	38,282
– loans and receivables	**116,165**	118,457
– derivatives	**29,021**	22,513
Non-trading derivatives	**6,784**	4,968
Designated as at fair value through profit and loss	**9,146**	5,220
Available-for-sale debt securities	**140,005**	151,533
Held-to-maturity debt securities	**16,753**	17,660
Loans and advances to customers		
– public authorities	**23,639**	25,951
– secured by mortgages	**273,629**	207,937
– guaranteed by credit institutions	**2,540**	2,406
– other personal lending	**24,204**	22,141
– other corporate lending	**202,311**	179,339
Other receivables	**6,561**	3,065
Maximum credit exposure on balance sheet	**946,792**	851,109
Off-balance sheet credit commitments		
– discounted bills - bank	**1**	3
– guarantees - bank	**19,018**	17,297
– irrevocable letters of credit - bank	**11,551**	8,456
– other - bank	**350**	623
– irrevocable facilities	**100,707**	90,384
Maximum credit exposure off balance sheet	**131,627**	116,763
Maximum credit exposure	**1,078,419**	967,872

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 manages credit risk and determines credit risk exposures for that purpose is explained in the 'Risk management' section.

21 ASSETS NOT FREELY DISPOSABLE

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

Assets not freely disposable

	Customer deposits and other funds on deposit and debt securities in issue		Banks		Other contingent liabilities		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Investments	**1,601**	2,686	**3,803**	4,483			**5,404**	7,169
Loans and advances to customers	**130**	548	**781**	2		96	**911**	646
Banks		8	**1,596**	1,100	**6**	7	**1,602**	1,115
Other assets	**3,816**	3,700	**652**	1,016	**141**	532	**4,609**	5,248
	5,547	6,942	**6,832**	6,601	**147**	635	**12,526**	14,178

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 2007 the required monthly average was EUR 5,676 million (2006: EUR 5,295 million). On 31 December 2007 the balance on this reserve was EUR 1,375 million (2006: EUR 4,706 million).

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

22 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

	2007	2006
Discounted bills	**1**	3
Guarantees	**19,018**	17,296
Irrevocable letters of credit	**11,551**	8,456
Other	**350**	623
	30,920	26,378
Irrevocable facilities	**100,707**	90,385
	131,627	116,763

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. The guarantees are generally of a short-term nature. 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. Also included in Other contingent liabilities are 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.

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

2008	**166**
2009	**167**
2010	**156**
2011	**144**
2012	**132**
Years after 2012	**261**

23 SPECIAL PURPOSE ENTITIES AND SECURITISATION

Securitisation of own assets

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 these assets on its balance sheet under Loans and advances to customers.

Assets under synthetic securitisation programmes

	2007	2006
Loans to small and medium-sized enterprises	**8,946**	8,859
Asset backed securities		7,126
Corporate loans	**430**	4,851
Mortgages	**6,488**	7,978
Total	**15,864**	28,814

The winding down of two conduits in 2007 caused a decrease in Assets under securitisation programmes amounting to EUR 10,968 million.

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. Primarily these liquidity facilities are meant 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 programs itself (in addition to normal liquidity facilities), and as a consequence might suffer credit losses from it. Furthermore, under a Program 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 analysis procedures regarding credit risk and liquidity risk. The fees received for services provided and for facilities are charged on market conditions.

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 often has different roles in these transactions:
– the arranger of the transaction; ING structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
– collateral manager of the assets in the SPE; ING 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.

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 programs 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 in 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.

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, ING Bank as fund manager will hold these funds in a fiduciary capacity. Therefore, these funds are generally not included in the consolidated financial statement of the Bank.

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

ING Bank Nederland N.V.	The Netherlands
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
Postbank N.V.	The Netherlands
Postbank Groen N.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	U.S.A.
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, U.S.A., Italy, U.K.
Oyak Bank A.S.	Turkey

25 COMPANIES ACQUIRED AND COMPANIES DISPOSED
The initial accounting for the fair value of the net assets of the companies acquired during the year has been determined only provisionally at 31 December 2007 given the proximity of the dates of acquisition to the year end. Also, the analysis of the contributory factors relating to goodwill will only be performed once the final values have been determined. The initial accounting shall be completed within a year of acquisition in accordance with IFRS 3 and the policies, procedures and risk management of the companies acquired shall be brought in line with ING during 2008.

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

Most significant companies acquired in 2007

	Oyak Bank	Share-builder Corpora-tion	Nationale Neder-landen 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
Net assets	888	58	55	1,001
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 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.

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. There was no significant difference in the carrying values of the net assets acquired immediately before the acquisition and their fair values. The profit for the year (before amortisation of the intangibles recognised on purchase accounting) was approximately EUR 80 million, but no profit and loss was included in ING Bank's net profit.

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.

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

Most significant companies acquired in 2006

	ING Bank Holding	Appleyard	Summit REIT	Total
General				
Date of acquisition	1 January 2006	1 July 2006	5 October 2006	
Percentage of voting shares acquired	100%	100%	56%	
Purchase price				
Purchase price	587	110	2,132	2,829
Cash purchase price	587	110	2,132	2,829
Cash in company acquired / disposed	93			93
Cash outflow / inflow on acquisition / disposal	494	110	2,132	2,736
Assets				
Cash assets	93			93
Investments			2,132	2,132
Loans and advances to customers	550			550
Financial assets at fair value through profit and loss			793	793
Miscellaneous other assets		332	34	366
Liabilities				
Amounts due to banks		238		238
Miscellaneous other liabilities	56	52	73	181
Net assets	587	42	2,886	3,515
Minority interests			754	754
Net assets acquired	587	42	2,132	2,761
Goodwill recognised [1]		54		54
Profit since date of acquisition	11	1	8	20
Income if acquisition effected at start of year	16	33	131	180

[1] Goodwill recognised in 2006 on immaterial acquisitions was EUR 11 million, resulting in total goodwill recognised in 2006 of EUR 65 million as disclosed in Note 9 'Intangible assets'.

In January 2006 the economic ownership of assets and liabilities of ING Bank N.V. relating to banking operations in the Netherlands were transferred into a company acquired from ING Group. ING Bank N.V purchased the entire share capital of ING Bank Holding N.V. for EUR 587 million. (Note: ING Bank Holding N.V was subsequently renamed ING Bank Nederland N.V.).

In July 2006 ING acquired 100% of Appleyard Vehicles Contracts, a U.K. based car leasing company. The purchase price paid for Appleyard was EUR 110 million.

In October 2006 ING acquired 56% of Summit Real Estate Investment Trust (Summit REIT) for an amount of EUR 2,132 million. Summit REIT owns a portfolio of high-quality light industrial properties in major markets across Canada.

Most significant companies disposed in 2006

	Williams de Broë	Deutsche Hypotheken bank A.G.	Degussa Bank	Total
Sales proceeds				
Sales proceeds	19	275	–23	271
Cash proceeds	19	275	–23	271
Cash in company disposed		11	27	38
Cash outflow / inflow on disposal	19	264	–50	233
Assets				
Cash assets		11	27	38
Investments		9,556		9,556
Loans and advances to customers	228	16,884	2,334	19,446
Amounts due from banks	14	5,928	187	6,129
Financial assets at fair value through profit and loss	5	3,280	162	3,447
Miscellaneous other assets	27	747	163	937
Liabilities				
Amounts due to banks	64	2,439	198	2,701
Customer deposits and other funds on deposit		8,984	2,184	11,168
Miscellaneous other liabilities	198	24,541	286	25,025
Net assets	12	442	205	659
% disposed	100%	84%	100%	
Net assets disposed	12	370	205	587

In June 2006 ING sold its U.K. brokerage unit Williams de Broë Plc. for EUR 22 million. The sale is part of ING Group's strategy to focus on core businesses. The result on the sale is subject to closing adjustments.

In September 2006 ING sold its 87.5% stake in Deutsche Hypothekenbank A.G., a publicly listed mortgage bank in Germany, as part of ING's strategy to focus on its core business. The sale resulted in a loss of EUR 83 million.

In December 2006 ING sold its stake in Degussa Bank, a unit of ING-DiBa specialising in worksite banking for private customers. The sale results in a loss of EUR 23 million.

Total of companies acquired and total of companies disposed in 2005

	Total acquisitions	Total disposals
Purchase price		
Purchase price	83	663
Cash outflow / inflow on acquisition / disposal	83	663
Assets		
Investments	1,535	663
Loans and advances to customers	819	870
Amounts due from banks	286	1,419
Miscellaneous other assets	65	696
	2,705	3,648
Liabilities		
Amounts due to banks	7	68
Customer deposits and other funds on deposit	1,384	2,470
Miscellaneous other liabilities	1,231	910
	2,622	3,448
Net assets	83	200
Net assets acquired	83	200

In March 2005, ING Bank reduced its stake in ING Bank Slaski from 87.77% to 75% by selling shares on the market. By reducing the stake in ING Bank Slaski, ING Bank complied with requirements set by the Polish regulator in 2001. ING Bank has no intention to further reduce its stake of 75% in ING Bank Slaski.

In March 2005, ING Bank acquired 19.9% of Bank of Beijing for an amount of approximately EUR 166 million. Bank of Beijing is the second largest city commercial bank in China and the third largest bank in Beijing.

In March 2005, ING Bank finalised the sale of Baring Asset Management to MassMutual Financial Group and Northern Trust Corp. The sale resulted in a net gain of EUR 254 million.

In June 2005, ING Bank formed a private equity joint venture to purchase Gables Residential Trust, a U.S.-based real estate investment trust. Gables Residential Trust is a developer, builder, owner and manager of higher-end multifamily properties. ING has provided USD 400 million in equity to finance the transaction. The venture is managed by ING Clarion, a wholly-owned subsidiary of ING Bank.

In June 2005, ING Bank has purchased GE Commercial Finance's 50% stake in NMB-Heller's Dutch and Belgian factoring business. The factoring business has been transferred into a new company, which operates under the name ING Commercial Finance. GE Commercial Finance purchased ING's 50% stake in NMB-Heller's German unit, Heller GmbH. Both purchases took effect retroactively from 1 January 2005.

In August 2005, ING Bank acquired a portfolio of properties located in the UK from Abbey National. The purchase price amounted to EUR 1.7 billion. The portfolio has been divided between various separate account clients.

In October 2005, ING Bank acquired Eural N.V. from Dexia Bank Belgium. In the course of 2007, Eural is expected to be merged with ING Belgium's unit Record Bank.

In December 2005, ING Bank sold Arenda Holding B.V. to ZBG, a Dutch private equity firm. Arenda is a provider of consumer finance products.

26 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 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, management does not believe that their outcome will have a material adverse effect on the Bank's financial position or results of operations.

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 recorded.

27 JOINT VENTURES

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

Most significant joint ventures

2007	**Interest held (%)**	**Assets**	**Liabilities**	**Income**	**Expenses**
Postkantoren B.V.	**50**	**159**	**126**	**205**	**203**
		159	**126**	**205**	**203**

Most significant joint ventures

2006	Interest held (%)	Assets	Liabilities	Income	Expenses
Postkantoren B.V.	50	168	137	219	220
		168	137	219	220

28 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	
	2007	2006	**2007**	2006
Receivables	**216**	147	**778**	655
Liabilities	**85**	85	**77**	46
Guarantees issued in favour of			**20**	4
Income received	**5**	6	**213**	128
Expenses paid	**58**	64	**1**	1

There are no significant provisions for doubtful debts or individually significant bad debt expenses.

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.	
	2007	2006	**2007**	2006
Receivables	**201**	121	**243**	1,520
Liabilities	**8,137**	6,190	**1,675**	283
Income received	**228**	33	**259**	180
Expenses paid	**619**	367	**163**	68

In addition, in 2007, EUR 11.8 billion mortgages were transferred from ING Insurance to ING Bank on market consistent terms.

Transactions with key management personnel (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 17 ‘Other liabilities’.

Key management personnel compensation

	Executive Board		Supervisory Board		Total	
amounts in thousands of euros	**2007**	2006	**2007**	2006	**2007**	2006
Base salary and short-term bonus	**16,898**	18,250	**673**	578	**17,571**	18,828
Pension costs	**3,334**	3,113			**3,334**	3,113
Retirement benefit	**1,222**	4,082			**1,222**	4,082
Fair market value of options and shares granted	**9,072**	8,576			**9,072**	8,576
Total compensation	**30,526**	34,021	**673**	578	**31,199**	34,599

Loans and advances to key management personnel

	Amount outstanding 31 December		Average interest rate		Repayments	
amounts in thousands of euros	**2007**	2006	**2007**	2006	**2007**	2006
Executive Board members	**2,376**	2,023	**4.8%**	4.3%	**216**	20
Total	**2,376**	2,023			**216**	20

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

The remuneration of the members and former members of the Executive Board and Supervisory Board, who are also members and former members of the Executive Board and Supervisory Board of ING Group, including pension contributions, is paid by ING Group. These and other expenses of ING Group are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

The remuneration costs of ING Group amounted to EUR 30.5 million (2006: EUR 34.0 million) for members and former members of the Executive Board and EUR 0.7 million (2006: EUR 0.6 million) for members and former members of the Supervisory Board. The remuneration costs allocated to ING Bank amount to EUR 10.7 million (2006: EUR 12.7 million) for members and former members of the Executive Board and EUR 0.3 million (2006: EUR 0.3 million) for members and former members of the Supervisory Board.

29 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	
	2007	2006	**2007**	2006
Financial assets				
Cash and balances with central banks	**9,829**	11,769	**9,829**	11,769
Amounts due from banks	**48,461**	39,861	**48,875**	39,868
Financial assets at fair value through profit and loss				
– trading assets	**192,215**	193,451	**192,215**	193,451
– non-trading derivatives	**6,784**	4,968	**6,784**	4,968
– designated as at fair value through profit and loss	**9,146**	5,220	**9,146**	5,220
Investments				
– available-for-sale	**143,632**	153,431	**143,632**	153,431
– held-to-maturity	**16,354**	17,494	**16,753**	17,660
Loans and advances to customers	**519,837**	436,367	**526,323**	437,774
Other assets (1)	**21,637**	15,289	**21,637**	15,289
	967,895	877,850	**975,194**	879,430
Financial liabilities				
Amounts due to banks	**167,365**	121,680	**166,972**	120,839
Customer deposits and other funds on deposit	**525,840**	496,078	**528,197**	496,775
Debt securities in issue	**55,732**	67,445	**55,990**	67,464
Financial liabilities at fair value through profit and loss				
– trading liabilities	**148,887**	127,925	**148,887**	127,925
– non-trading derivatives	**5,569**	4,296	**5,569**	4,296
– designated as at fair value through profit and loss	**13,882**	13,702	**13,882**	13,702
Other liabilities (2)	**23,272**	17,924	**23,272**	17,924
Subordinated loans	**18,860**	18,113	**18,786**	18,073
	959,407	867,163	**961,555**	866,998

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

The estimated fair values correspond with 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. Because substantial trading markets do not exist for all of these financial instruments various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors. 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.

Non-trading derivatives
The fair values of derivatives held for non-trading purposes are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal valuation techniques.

Financial assets at fair value through profit and loss
The fair values of securities in the trading portfolio and other assets 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 valuation techniques.

Investments
The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

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 to their fair value.

Financial liabilities
Subordinated loans
The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates 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 unquoted, on estimates based on discounting future cash flows using available market interest rates 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 valuation techniques.

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 unquoted, on estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity.

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

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

2007	Reference to published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	121,865	70,271	79	192,215
Non-trading derivatives	6,079	690	16	6,785
Financial assets designated at fair value through profit and loss	4,905	4,146	95	9,146
Available-for-sale investments	89,707	52,760	1,165	143,632
	222,556	127,867	1,355	351,778
Liabilities				
Trading liabilities	75,067	73,803	16	148,886
Financial liabilities designated at fair value through profit and loss	7,723	6,159		13,882
Non-trading derivatives	5,010	465	94	5,569
	87,800	80,427	110	168,337

Methods applied in determining fair values of financial assets and liabilities

2006	Reference to published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs	Total
Assets				
Trading assets	150,680	42,716	55	193,451
Non-trading derivatives	2,518	2,448	2	4,968
Financial assets designated at fair value through profit and loss	4,146	1,033	41	5,220
Available-for-sale investments	90,485	62,523	423	153,431
	247,829	108,720	521	357,070
Liabilities				
Trading liabilities	87,375	40,550		127,925
Financial liabilities designated at fair value through profit and loss	1,672	2,620	4	4,296
Non-trading derivatives	10,914	2,788		13,702
	99,961	45,958	4	145,923

Reference to published price quotations
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.

This category includes instruments for which a model is used to determine fair value instead of using an externally available quoted price, but for which a quoted price is available and the outcome of the model is evaluated regularly against that quoted price, resulting in no or only an insignificant deviation from the quoted price. Furthermore, it also includes financial instruments 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). Certain reverse repos with a very short tenor (i.e. a matter of days) for which the valuation is based on the actual prices on issuance and maturity, are included in this category on the basis that their valuation is highly objective and based on a third party source. In 2006, these were reported under 'valuation technique not supported by market inputs' (EUR 37,229 million at 31 December 2006); as ING then did not take into account market inputs becoming available at very short notice. Consistent with the classification in 2007, these have been reclassified in the 2006 comparatives.

Valuation technique supported by market inputs
This category includes financial instruments whose fair value is determined using a valuation technique (a model), where inputs in the model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements 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 (more than insignificantly) modified based on other market observable external data.

Valuation technique not supported by market inputs
This category includes financial assets/liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of the input in terms of the overall valuation are not market observable.

The total amount of changes in fair value estimated using a valuation technique not supported by market inputs recognised in net profit in 2007 was EUR 16 million (2006: EUR 28 million).

Sensitivities of fair values
Reasonably likely changes in the assumptions used in the valuation techniques not supported by recent market transactions would not have a significant impact on equity and net profit.

Notes to the consolidated profit and loss account of ING Bank

amounts in millions of euros, unless stated otherwise

30 INTEREST RESULT

Interest result

	2007	2006	2005
Interest income on loans	**26,185**	21,742	18,741
Interest income on impaired loans	**–26**	13	–23
Total interest income on loans	**26,159**	21,755	18,718
Interest income on available-for-sale securities	**7,397**	6,989	5,989
Interest income on held-to-maturity securities	**736**	755	639
Interest income on trading portfolio	**32,442**	21,414	15,237
Interest income on non-trading derivatives	**6,190**	5,231	5,658
Other interest income	**3,841**	3,015	1,911
Total interest income	**76,765**	59,159	48,152
Interest expense on deposits by banks	**5,131**	3,559	2,371
Interest expense on customer deposits and other funds on deposit	**18,563**	15,107	11,960
Interest expense on debt securities	**3,556**	3,173	2,911
Interest expense on subordinated loans	**1,055**	1,011	1,073
Interest on trading liabilities	**29,383**	18,823	13,369
Interest on non-trading derivatives	**6,115**	5,159	5,821
Other interest expense	**3,927**	2,994	1,502
Total interest expense	**67,730**	49,826	39,007
Interest result	**9,035**	9,333	9,145

Interest margin

in percentages	2007	2006	2005
Interest margin	**0.94**	1.06	1.16

In 2007, the growth of the average total assets caused an increase of the interest result amounting to EUR 753 million (2006: EUR 1,040 million; 2005: EUR 1,214 million). The decrease of the interest margin by 12 basis points caused a decrease of the interest result with EUR 1,051 million (in 2006 the decrease of the interest margin by 10 basis points caused a decrease of the interest result with EUR 852 million; in 2005 the decrease of the interest margin by 6 basis points caused a decrease of the interest result with EUR 345 million).

31 INVESTMENT INCOME

Investment income

	2007	2006	2005
Income from real estate investments	**252**	134	194
Dividend income	**70**	84	71
	322	218	265
Realised gains/losses on disposal of equity securities	**330**	149	171
Impairments of available-for-sale equity securities	**–17**	–17	–45
Realised gains/losses on equity securities	**313**	132	126
Income from investments in debt securities		18	12
Impairments of available-for-sale debt securities	**–57**		
Realised gains/losses on debt securities	**138**	93	61
Change in fair value of real estate investments	**93**	67	59
	174	178	132
Investment income	**809**	528	523

32 COMMISSION INCOME

Gross fee and commission income

	2007	2006	2005
Funds transfer	**746**	704	645
Securities business	**1,049**	1,064	905
Management fees	**1,140**	944	787
Brokerage and advisory fees	**233**	207	152
Insurance broking	**180**	171	115
Other	**818**	704	645
	4,166	3,794	3,249

Fee and commission expenses

	2007	2006	2005
Funds transfer	**144**	140	56
Securities business	**370**	347	264
Management fees	**230**	204	139
Brokerage and advisory fees	**5**	2	6
Other	**491**	420	383
	1,240	1,113	848

33 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

	2007	2006	2005
Change in fair value of derivatives relating to			
– fair value hedges	**887**	203	–425
– cash-flow hedges (ineffective portion)	**–4**	–7	–1
– other non-trading derivatives	**28**	387	331
Net result on non-trading derivatives	**911**	583	–95
Change in fair value of assets and liabilities (hedged items)	**–841**	–234	421
Valuation results on assets and liabilities designated as at fair value through profit and loss	**56**	–213	–111
Net valuation results	**126**	136	215

34 NET TRADING INCOME

Net trading income

	2007	2006	2005
Results from securities trading	**–2,147**	–804	660
Results from foreign exchange transactions	**401**	282	378
Other	**2,486**	1,423	–617
	740	901	421

Results from securities trading includes 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. Results from foreign exchange transactions 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 2007 that relates to trading securities still held at 31 December, amounts to EUR 140 million losses (2006: EUR 147 million losses; 2005: EUR 7 million gains).

The majority of the risks involved in the security and currency trading is economically hedged with derivatives. The results on security trading is partly off-set by results on these derivatives. The result of these derivatives is included in Other and amounts to EUR 408 million (2006: EUR 1,662 million).

35 OTHER INCOME

Other income

	2007	2006	2005
Net operating lease income	**79**	65	72
Other income	**501**	411	489
	580	476	561

Net operating lease income comprises income of EUR 803 million (2006: EUR 691 million; 2005: EUR 627 million), depreciation of EUR 724 million (2006: EUR 626 million; 2005: EUR 555 million) and other operating expenses of nil (2006: nil; 2005: nil).

36 OTHER IMPAIRMENTS

Other impairment losses and reversals of impairments recognised in the profit and loss account

	Impairment losses			Reversals of impairments			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Property and equipment	**2**	3	81	**–14**	–7	–27	**–12**	–4	54
Property under development for third parties	**36**	17		**–43**			**–7**	17	
Other intangible assets	**14**						**14**		
Other		3						3	
	52	23	81	**–57**	–7	–27	**–5**	16	54

Impairments on Loans and advances to customers are presented under Addition to loan loss provisions. Impairments on Investments are presented under Investment income.

37 STAFF EXPENSES

Staff expenses

	2007	2006	2005
Salaries	**3,646**	3,480	3,286
Pension and other staff-related benefit costs	**159**	184	256
Social security costs	**466**	444	444
Share-based compensation arrangements	**71**	59	33
Other staff costs	**1,079**	924	726
	5,421	5,091	4,745

Share-based compensation arrangements includes an amount of EUR 62 million (2006: EUR 57 million; 2005: EUR 30 million) relating to equity-settled share-based payment arrangements and EUR 9 million (2006: EUR 2 million; 2005: EUR 3 million) relating to cash-settled share-based payment arrangements.

Pension and other staff-related benefit costs

	Pension benefits			Post-employment benefits other than pensions			Other			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Current service cost	**253**	257	300	**10**	1	27	**–20**	21	32	**243**	279	359
Past service cost	**–62**	18	136		–1		**–1**		5	**–63**	17	141
Interest cost	**466**	452	393	**3**	3	22	**7**	6	33	**476**	461	448
Expected return on assets	**–542**	–530	–443						–22	**–542**	–530	–465
Amortisation of unrecognised past service costs	**3**									**3**		
Amortisation of unrecognised actuarial (gains)/losses	**22**	13	–2				**3**			**25**	13	–2
Effect of curtailment or other settlement	**–25**	–6	–11		–87	–270			–3	**–25**	–93	–284
Defined benefit plans	**115**	204	373	**13**	–84	–221	**–11**	27	45	**117**	147	197
Defined contribution plans										**42**	37	59
										159	184	256

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 Executive Board, general managers and other officers nominated by the Executive Board), to all ING Bank staff in the Netherlands and to a considerable number of employees outside the Netherlands. 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 the 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 2007 36,028,881 own shares (2006: 52,722,755) were held in connection with the option plan compared to 76,888,553 options outstanding (2006: 74,175,909). 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.

The option rights are valid for a period of 5 or 10 years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until 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 shares is granted conditionally. If the participant remains in the employment for an uninterrupted period of three years from the grant date, the entitlement becomes unconditional. In 2007 2,415,649 shares (2006: 2,432,686) have been granted to senior management and other employees remaining in the service of ING Group.

Every year, the ING Group Executive Board will take a decision as 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

	Options outstanding			Weighted average exercise price		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**42,380,873**	49,385,301	49,266,799	**26.03**	24.65	25.41
Granted	**6,589,163**	7,515,107	7,852,009	**32.12**	32.77	23.24
Exercised	**–3,563,679**	–10,210,565	–468,712	**19.71**	19.73	22.25
Forfeited	**–1,901,331**	–668,094	–115,490	**25.82**	26.75	25.18
Expired		–3,640,876	–7,149,305		26.03	30.10
Closing balance	**43,505,026**	42,380,873	49,385,301	**27.24**	26.03	24.65

The weighted average share price at the date of exercise for options exercised in 2007 is EUR 32.48.

Changes in option rights non-vested

	Options non-vested			Weighted average grant date fair value		
	2007	2006	2005	**2007**	2006	2005
Opening balance	**20,539,578**	23,991,106	27,423,433	**4.60**	3.72	4.95
Granted	**6,589,163**	7,515,107	7,852,009	**6.57**	6.49	3.48
Vested	**–5,007,617**	–10,041,002	–11,209,110	**5.11**	4.87	6.55
Forfeited	**–1,552,718**	–925,633	–75,226	**5.72**	3.73	3.63
Closing balance	**20,568,406**	20,539,578	23,991,106	**5.66**	4.60	3.72

Summary of stock options outstanding and exercisable

2007 **range of exercise price in euros**	**Options outstanding as at 31 December 2007**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2007**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 15.00	**3,550,407**	**5.18**	**12.49**	**3,550,407**	**5.18**	**12.49**
15.00 – 20.00	**4,282,987**	**5.84**	**18.58**	**4,282,987**	**5.84**	**18.58**
20.00 – 25.00	**7,439,344**	**7.14**	**23.18**	**229,769**	**3.40**	**21.88**
25.00 – 30.00	**10,880,016**	**3.45**	**28.76**	**10,838,979**	**3.44**	**28.77**
30.00 – 35.00	**13,334,894**	**8.71**	**32.45**	**17,100**	**3.24**	**32.43**
35.00 – 40.00	**4,017,378**	**3.11**	**35.58**	**4,017,378**	**3.11**	**35.58**
	43,505,026			**22,936,620**		

Summary of stock options outstanding and exercisable

2006 range of exercise price in euros	Options outstanding as at 31 December 2006	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2006	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 15.00	4,815,877	6.17	12.66	4,815,877	6.17	12.66
15.00 – 20.00	5,262,937	7.21	18.67	40,593	6.58	18.59
20.00 – 25.00	7,931,454	8.24	23.22	27,925	5.65	23.12
25.00 – 30.00	12,644,239	4.41	28.74	12,600,652	4.39	28.75
30.00 – 35.00	7,392,018	9.22	32.77	21,900	4.17	32.31
35.00 – 40.00	4,334,348	4.04	35.56	4,334,348	4.04	35.56
	42,380,873			21,841,295		

The aggregate intrinsic value of options outstanding and exercisable at 31 December 2007 was EUR 114 million and EUR 88 million respectively.

As of 31 December 2007 there was EUR 40 million of total unrecognised compensation costs related to stock options (2006: EUR 49 million; 2005: EUR 50 million). These costs are expected to be recognised over a weighted average period of 1.8 years (2006: 1.9 years; 2005: 2.0 years).

The fair value of options granted is recorded 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 3.55% to 4.04%), as well as the expected life of the options granted (from 0.5 year to 6.5 years), the exercise price, the current share price (EUR 32.77 – EUR 33.92), the expected volatility of the certificates of ING Group shares (23% - 41%) and the expected dividend yield (3.57% to 3.69%).

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.

38 OTHER OPERATING EXPENSES

Other operating expenses

	2007	2006	2005
Depreciation of property and equipment	**322**	361	376
Amortisation of intangible assets	**123**	101	100
Computer costs	**661**	604	570
Office expenses	**627**	635	622
Travel and accommodation expenses	**153**	139	133
Advertising and public relations	**806**	722	619
External advisory fees	**490**	449	356
Addition/(releases) of provision for reorganisations and relocations	**435**	63	86
Other	**980**	882	1,194
	4,597	3,956	4,056

Other operating expenses include lease and sublease payments in respect to operating leases of EUR 151 million (2006: EUR 226 million; 2005: EUR 50 million).

39 TAXATION

Taxation by type

	Netherlands			International			Total		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Current taxation	**36**	389	444	**673**	652	563	**709**	1,041	1,007
Deferred taxation	**18**	1	22	**26**	169	–153	**44**	170	–131
	54	390	466	**699**	821	410	**753**	1,211	876

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

	2007	2006	2005
Result before taxation	**4,454**	5,024	4,876
Weighted average statutory tax rate	**29.6%**	30.8%	31.4%
Weighted average statutory tax amount	**1,318**	1,547	1,531
Associates exemption	**–14**	22	–241
Other income not subject to tax	**–326**	–278	–144
Expenses not deductible for tax purposes	**73**	109	
Impact on deferred tax from change in tax rates	**–6**	–63	
Deferred tax benefit from previously unrecognised amounts	**–57**	–30	–144
Current tax benefit from previously unrecognised amounts	**–205**	–59	–60
Write down/reversal of deferred tax assets	**8**	–6	
Other adjustment to prior periods	**–38**	–31	–66
Effective tax amount	**753**	1,211	876
Effective tax rate	**16.9%**	24.1%	18.0%

As of 2007, the reconciliation is prepared on the basis of the weighted average statutory tax rate. Until 2006, it was prepared on the basis of the Dutch statutory tax rate for the entire Group. The 2006 and 2005 comparatives have been restated to reflect this change.

The effect of the change in tax rates in 2006 is mainly attributable to a reduction in the tax rate in the Netherlands from 29.6% to 25.5%.

Tax benefits from previously unrecognised amounts includes releases of tax provisions resulting from settlements with tax authorities. Significant amounts included relate to closing of tax audits in the main tax jurisdictions of the Group.

40 NET INTEREST INCOME

Total interest income and total interest expense for items not valued at fair value through profit and loss in 2007 were EUR 37,885 million and EUR 31,676 million respectively (2006: EUR 32,258 million and EUR 25,255 million; 2005: EUR 27,257 million and EUR 19,819 million).

Segment reporting

amounts in millions of euros, unless stated otherwise

41 PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

ING Bank's business segments relate to the internal segmentation by business lines. These include the business lines: Wholesale Banking, Retail Banking and ING Direct. Other mainly includes items not directly attributable to the business lines. Each business line is headed by a member of the Executive Board. The Executive Board sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the business 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.

ING applies a system of capital charging that makes the results of the banking business units globally comparable, irrespective of the book equity they have and the currency they operate in. ING has the policy that, for the banking business units, equity locally needs to be invested at the local risk free rate. Banking business units are charged by the Corporate Line for the income that they make on the book equity invested and, are given a benefit based on 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 business segments using financial performance measures called underlying profit before taxation. Underlying profit before taxation is defined as profit before taxation excluding the impact of divestments and special items.

Business segments

2007	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Elimi-nations	Total
Income							
– external	7,150	6,956	2,346	–1,860	14,592		14,592
– inter-segment	–1,290	–532	–150	1,972			
Total income	5,860	6,424	2,196	112	14,592		14,592
Segment profit before taxation	2,260	1,783	530	–119	4,454		4,454
Divestments		–32			–32		–32
Special items	139	311		40	490		490
Underlying profit before taxation	2,399	2,062	530	–79	4,912		4,912
Segment assets	965,680	461,946	262,560	103,160	1,793,346	–799,233	994,113
Segment liabilities	957,923	458,006	259,792	90,430	1,766,151	–799,233	966,918
Share in profit or loss of associates	212	26			238		238
Book value of associates	1,502	461		47	2,010		2,010
Cost incurred to acquire property, equipment, and intangibles	177	1,227	296	3	1,703		1,703
Significant non-cash expenses							
– Depreciation and amortisation	155	199	87	4	445		445
– Impairments	38		14		52		52
– Reversal of impairments	51	6			57		57
– Addition to loan loss provisions	–115	172	68		125		125

Segment reporting (continued)

Business segments

2006	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Elimi-nations	Total
Income							
– external	7,215	6,126	2,216	–1,367	14,190		14,190
– inter-segment	–1,397	–40	73	1,364			
Total income	5,818	6,086	2,289	–3	14,190		14,190
Segment profit before taxation	2,481	1,935	691	–83	5,024		5,024
Divestments	44		3		47		47
Underlying profit before taxation	2,525	1,935	694	–83	5,071		5,071
Segment assets	764,882	314,191	253,160	137,374	1,469,607	–574,622	894,985
Segment liabilities	756,645	310,078	249,792	130,591	1,447,106	–574,622	872,484
Share in profit or loss of associates	176	11		–7	180		180
Book value of associates	1,141	57		25	1,223		1,223
Cost incurred to acquire property, equipment, and intangibles	226	182	144	3	555		555
Significant non-cash expenses							
– Depreciation and amortisation	171	216	74		461		461
– Impairments	19	4			23		23
– Reversal of impairments	3	4			7		7
– Addition to loan loss provisions	–118	161	60		103		103

Business segments

2005	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Elimi-nations	Total
Income							
– external	6,808	5,702	1,739	–430	13,819		13,819
– inter-segment	–851	179	295	377			
Total income	5,957	5,881	2,034	–53	13,819		13,819
Segment profit before taxation	2,599	1,864	630	–217	4,876		4,876
Divestments	–300	–62	–13		–375		–375
Underlying profit before taxation	2,299	1,802	617	–217	4,501		4,501
Segment assets	677,869	312,021	232,773	27,856	1,250,519	–416,484	834,035
Segment liabilities	669,352	308,558	229,778	21,018	1,228,706	–416,484	812,222
Share in profit or loss of associates	134	6			140		140
Book value of associates	1,114	45	2	15	1,176		1,176
Cost incurred to acquire property, equipment, and intangibles	214	236	103	8	561		561
Significant non-cash expenses							
– Depreciation and amortisation	184	229	63		476		476
– Impairments	75	6			81		81
– Reversal of impairments	15	12			27		27
– Addition to loan loss provisions	–108	111	85		88		88

Interest income (external) and interest expense (external) breakdown by business lines

2007	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other**	**Total**
Interest income	**51,890**	**12,931**	**12,040**	**–96**	**76,765**
Interest expense	**45,431**	**10,594**	**9,963**	**1,742**	**67,730**
	6,459	**2,337**	**2,077**	**–1,838**	**9,035**

Interest income (external) and interest expense (external) breakdown by business lines

2006	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	37,873	10,390	10,435	461	59,159
Interest expense	31,648	8,085	8,309	1,784	49,826
	6,225	2,305	2,126	–1,323	9,333

Interest income (external) and interest expense (external) breakdown by business lines

2005	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	30,092	10,253	8,101	–294	48,152
Interest expense	25,326	7,072	6,523	86	39,007
	4,766	3,181	1,578	–380	9,145

42 SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

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

Geographical segments

2007	**Nether-lands**	**Bel-gium**	**Rest of Europe**	**North Ame-rica**	**Latin Ame-rica**	**Asia**	**Aus-tralia**	**Other**	**Elimi-nations**	**Total**
Income										
– external	**5,073**	**3,400**	**3,362**	**1,760**	**101**	**492**	**406**		**–2**	**14,592**
– inter-segment	**370**	**–735**	**718**	**–578**	**177**	**94**	**–48**		**2**	
Total income	**5,443**	**2,665**	**4,080**	**1,182**	**278**	**586**	**358**			**14,592**
Segment profit before taxation	**750**	**1,019**	**1,655**	**407**	**197**	**189**	**237**			**4,454**
Segment assets	**546,306**	**168,774**	**351,448**	**162,101**	**15,112**	**39,458**	**29,102**	**102**	**–318,290**	**994,113**
Cost incurred to acquire property, equipment, and intangibles	**212**	**61**	**1,154**	**229**		**40**	**7**			**1,703**

Geographical segments

2006	Nether-lands	Bel-gium	Rest of Europe	North Ame-rica	Latin Ame-rica	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
– external	4,780	3,015	3,384	2,471	–138	375	304		–1	14,190
– inter-segment	514	–470	584	–1,043	355	75	–15			
Total income	5,294	2,545	3,968	1,428	217	450	289		–1	14,190
Segment profit before taxation	1,423	955	1,476	751	140	115	164			5,024
Segment assets	493,474	166,059	329,005	164,127	14,428	27,638	23,796	70	–323,612	894,985
Cost incurred to acquire property, equipment, and intangibles	218	62	219	24	1	26	5			555

Geographical segments

2005	Nether-lands	Bel-gium	Rest of Europe	North Ame-rica	Latin Ame-rica	Asia	Aus-tralia	Other	Elimi-nations	Total
Income										
– external	5,602	2,748	3,361	1,682	–135	283	277	1		13,819
– inter-segment	–99	–482	530	–380	286	155	–10			
Total income	5,503	2,266	3,891	1,302	151	438	267	1		13,819
Segment profit before taxation	1,653	790	1,317	705	78	170	162	1		4,876
Segment assets	368,595	151,649	320,258	119,130	11,967	25,404	18,385	85	–181,438	834,035
Cost incurred to acquire property, equipment, and intangibles	203	138	160	32	2	22	4			561

Notes to the consolidated statement of cash flows of ING Bank
amounts in millions of euros, unless stated otherwise

43 NET CASH FLOW FROM INVESTING ACTIVITIES
Information on the impact of companies acquired or disposed of is presented in Note 25 'Companies acquired and companies disposed'.

44 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received and paid

	2007	2006	2005
Interest received	**73,734**	57,360	44,194
Interest paid	**–65,025**	–51,145	–32,413
	8,709	6,215	11,781
Dividend received	**127**	111	43
Dividend paid	**–1,300**	–1,800	–701

45 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	2007	2006	2005
Treasury bills and other eligible bills	**4,130**	4,333	11,572
Amounts from/due to banks	**–33,348**	–20,454	–21,321
Cash and balances with central banks	**9,829**	11,769	10,718
Cash and cash equivalents at end of year	**–19,389**	–4,352	969

Treasury bills and other eligible bills included in cash and cash equivalents

	2007	2006	2005
Treasury bills and other eligible bills included in trading assets	**1,806**	1,286	8,878
Treasury bills and other eligible bills included in available-for-sale investments	**2,324**	3,047	2,694
	4,130	4,333	11,572

Amounts due to/from banks

	2007	2006	2005
Included in cash and cash equivalents			
– amounts due to banks	**–42,154**	–26,498	–25,441
– amounts due from banks	**8,806**	6,044	4,120
	–33,348	–20,454	–21,321
Not included in cash and cash equivalents			
– amounts due to banks	**–124,818**	–94,341	–96,793
– amounts due from banks	**40,069**	33,824	43,346
	–84,749	–60,517	–53,447
Included in balance sheet			
– amounts due to banks	**–166,972**	–120,839	–122,234
– amounts due from banks	**48,875**	39,868	47,466
	–118,097	–80,971	–74,768

Cash and cash equivalents include amounts due to/from banks with a term of less than 3 months from/to the date on which they were acquired.

ING'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

- Key Developments Risk Management 2007
- Introduction
- Risk Governance
- ING Bank Risk Profile
- Credit Risks
- Market Risks
- Liquidity Risk
- Compliance and Operational Risks
  - *Compliance Risk*
  - *Operational Risks*
- Model Disclosures

KEY DEVELOPMENTS RISK MANAGEMENT 2007

Taking measured risks is part of ING Bank's business. Like other financial services companies, ING Bank faces several categories of risk, including credit, interest rate, real estate, equity, insurance and liquidity. Beyond that, there are also operational, information, security and compliance risks attached to doing business.

ING Bank has systematically invested in improving its risk management capabilities over the past years, including investments in people, governance, processes, measurement tools and systems, etc. Recent examples are the introduction of the risk dashboard (discussed below) at the ING Group level, the company-wide embedding of the Compliance and Financial Economic Crime policies and the implementation of advanced measurement methods under Basel II (Credit Risk Internal Rating Based and Operational Risk Advanced Measurement Approach (AMA)). The addition of the position of ING Group Chief Risk Officer as part of the ING Group Executive Board in April 2007 provides a strong commitment to ensuring that risk is a key component of management decisions. To show the commitment and improvements to its risk management ING Group chose risk management as its theme for its 14th Investor Relations Symposium in London on 20 September 2007.

Effects of market developments during 2007

Throughout 2007, significant market turmoil was experienced in the credit markets, beginning with concerns over US sub-prime mortgages and then widening into a general banking liquidity crisis. For the year ended 31 December 2007, this crisis had only limited impact on the profit and loss account as a result of ING Bank's investments in pressurised assets classes e.g. US sub-prime and Alt-A residential mortgage backed securities (RMBS), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs). Unrealised gains (losses) relating to available for sale (fixed income) asset backed securities, including RMBS, are taken to the revaluation reserve in shareholders equity, unless there is evidence of impairment, in which case the negative revaluation reserve is recognised in the profit and loss account.

ING Bank's risk management organisation and its liquidity position helped it to manage the problems that occurred in the credit and other financial markets in 2007. It has been ING Bank's policy to maintain a high quality and well diversified portfolio. To that effect ING Bank has limits and investment policies in place which are defined in mandates for every portfolio. Investment and trading decisions are based on internal research, and not only on published ratings. Some limits were set at more stringent levels since early 2007, in anticipation of a potential downturn of the market. As a result ING Bank's exposure to pressurised asset classes is of high quality and has not led to major impairments. The total direct pre-tax negative impact on ING Bank's 2007 profit and loss account was EUR 194 million as a result of exposures in pressurised asset classes and leveraged finance as well as monoline insurers and Asset-Backed Commercial Paper. Pre-tax revaluation (via equity) for the pressurised asset classes (US subprime RMBS, Alt-A RMBS and CDOs/CLOs) at year-end 2007 was EUR - 946 million. This runs through shareholders' equity in the balance sheet on an after-tax basis.

The Bank's total exposure to US sub-prime assets, representing less than 0.03% of total ING Bank assets, relates to non originated loans acquired as investments in RMBS. At 31 December 2007 approximately 92% of ING's US sub-prime portfolio was rated AA or higher. ING Bank does not originate sub-prime mortgages. The vast majority of the total mortgage backed securitisations (MBS) contain (residential) mortgages that are not classified as sub-prime.

As at 31 December 2007, approximately 99% of ING Bank's well collateralised Alt-A RMBS portfolio related to ING Direct; the average loan to value ratio is approximately 71% and more than 99% of the portfolio is AAA rated. ING's available for sale Alt-A investments are measured at fair value in the balance sheet.

Net investments in CDOs/CLOs at 31 December 2007 were 0.1% of total assets and are measured at fair value in the balance sheet. An analysis of the method applied in determining the fair values of financial assets and liabilities is provided in Note 29 'Fair value of Financial Assets and Liabilities'.

ING Bank has a limited exposure to monoline insurers, approximately 0.3% of total assets, which is mostly indirect exposure. ING Bank's indirect exposure relates to embedded financial guarantees ('wrapped bonds') or to credit derivatives where changes in the monoline insurer's rating (and as a result the asset's fair value) directly impacts the profit and loss account for financial assets at fair value though profit and loss. Underlying wrapped bonds in the available for sale securities portfolio are monitored through the regular credit review process and were not impaired at 31 December 2007.

ING Bank's approach to liquidity management requires a surplus of liquid assets, contingency plans and close monitoring of market conditions. Since the start of the market turmoil in August 2007, ING Bank's Liquidity Crisis Committee has met on a regular basis in line with ING Bank's liquidity policy. The Committee discusses ING Bank's liquidity and funding profile and is chaired by the ING Group Chief Risk Officer. Other members include the ING Group Chief Financial Officer, all the main treasurers of ING Group, the head of ING Bank Market Risk Management and the head of ING Group Corporate Communications and Affairs. The Liquidity strategy and market conditions are monitored on a daily basis. Large buffers of liquidity were retained throughout 2007, and as a result, contingency funding plans, in place at all levels, were not required to be executed as ING Bank's liquidity position remained sound during the year.

ING Bank's exposure to credit risk and the resulting credit risk losses in 2007 have been mitigated by maintaining a well diversified portfolio.

ING Bank's capital management is described in the 'Capital management' section below. Throughout the market turmoil experienced during 2007, capital levels of ING Bank exceeded those required by regulators.

Developments during the year relating to ING Bank's involvement in securitisation and asset backed commercial paper vehicles are described in Note 23 'Special Purpose Entities and Securitisation'.

Ongoing volatility in the financial markets
As a result of ongoing and unprecedented volatility in the global financial markets in recent quarters, we have incurred negative revaluations on our investment portfolio, which have impacted our shareholders' equity. Furthermore, we have incurred certain impairments and other losses, which have impacted our profit and loss accounts. Such impacts have arisen primarily as a result of valuation issues arising in connection with our exposures to US mortgage-related structured investment products, including sub-prime and Alt-A Residential Mortgage-Backed Securities (RMBS), Collateralized Debt Obligations (CDOs) and Collateralized Loan Obligations (CLOs), monoline insurer guarantees and other investments. In many cases, the markets for such instruments have become highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such instruments is a complex process involving the consideration of market transactions, pricing models, management judgement and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. While we continue to monitor our exposures in this area, in light of the ongoing market environment and the resulting uncertainties concerning valuations, there can be no assurances that we will not experience further negative impacts to our shareholders' equity or profit and loss accounts from such assets in future periods.

INTRODUCTION
To ensure measured risk taking throughout the organisation, ING Bank operates through a comprehensive risk management framework. This ensures the proper 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.

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, 'no surprises', and consistent with delegated authorities;
– Delegated authorities are consistent with the overall ING Bank strategy and risk appetite;
– Transparent communication to internal and external stakeholders on risk management and value creation.

RISK GOVERNANCE
ING Bank'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 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, operational, compliance and risk management, and forms the third line of defence.

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

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

ING 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 management and liquidity risk management of ING Bank;
– Corporate Operational, Information and Security Risk Management (COISRM) is responsible for managing operational, information, and security risks within ING Bank;
– Group Compliance Risk Management assists, supports and advises Management in fulfilling its compliance responsibilities, advises employees on their (personal) compliance obligations and oversees the embedding of Compliance Policies in ING Bank.

The heads of these departments (Corporate Risk General Managers) report to the ING Group CRO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk General Managers and the ING Group CRO are responsible for the harmonisation and standardisation of risk management practices. The risk management function assists with the formulation of risk appetite, strategies, policies and limits. It also provides a review, oversight and support function throughout ING Bank on risk related issues.

In addition at an ING Group level two staff departments report to the ING Group CRO:
– The Risk Integration and Analytics department is responsible for inter-risk aggregation processes and for providing ING Group-wide risk information to the ING Group CRO and Executive Board.
– The Model Validation department reviews the performance of all material risk models applied within ING Bank. This department carries out periodic model validations of all 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 ING Group CRO.

ING Bank 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 ING Group CRO. To ensure a close link between the business lines and the risk management function, the business line heads and the respective General Managers Corporate Risk are represented on each committee.

- ING Group Credit Committee – Policy (GCCP): Discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Bank. 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 two times a week;
- ING Provisioning Committee (IPC): Discusses and approves specific and collective loan loss provisions figures for ING Bank. The IPC meets on a quarterly basis. The membership of the IPC, which is chaired by the ING Group CFO, consists of both Risk and Finance representatives and reflects the responsibilities of both departments;
- 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 Wholesale 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;

In addition, at an ING Group level a Finance and Risk Committee has been established as a platform for the ING Group CRO and CFO, along with their respective staffs, to discuss and decide on issues that relate to both the finance and risk domains.

ING Bank has over the past several year increased its use of risk assessment and risk measurement to guide decision making. As a result, the quality of risk models becomes increasingly important. To meet sophisticated business and regulatory requirements ING Bank revised its governance process for approval of risk models, methods and parameter setting in 2007. The governance process ensures a clear assignment of responsibility and accountability.

ING Group board level risk oversight
At the highest level of the ING organisation (ING Group level), there are board committees which oversee risk taking, and have ultimate approval authority. ING Group has a two-tier board structure consisting of the ING Group Executive Board and the ING Group Supervisory Board; both bodies play a crucial role in managing and monitoring the risk management framework of ING Group (including ING Bank).

- The ING Group Executive Board is responsible for managing risks associated with the activities of ING Bank. Its 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 ING Group Executive Board reports on these issues and discusses the internal risk management and control systems with the ING Group Supervisory Board. On a quarterly basis, the Group Executive Board reports on the Group's risk profile versus its risk appetite to the ING Group Audit Committee, explaining changes in the risk profile;
- The ING Group Audit Committee is a sub-committee of the ING Group Supervisory Board. It assists the ING Group Supervisory Board in reviewing and assessing ING Bank's major risk exposures and the operation of internal risk management and control systems. ING Group Audit Committee membership is such that specific business know-how and expertise relating to the activities of ING Bank is available. The ING Group CRO attends the ING Group Audit Committee meetings.

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

ING Bank has fully integrated risk management into the annual strategic planning process. This process aligns strategic goals, business strategies and resources throughout ING Bank. The process is such that the ING Group Executive Board 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 Bank strategic direction. The process includes a qualitative and quantitative assessment of the risks involved with the plans. It is part of the process to explicitly discuss strategic limits and group 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 ING Group Executive Board formulates the Strategic Plan for ING Bank which is submitted to the ING Group Supervisory Board for approval.

Risk policies
ING Bank 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 framework of ING Bank 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 ING Bank 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 practice.

RISK PROFILE

In 2007, ING Group (including ING Bank) made a significant step forward with its integrated risk management approach. At the Investor Day on 20 September 2007, the ING Group CRO presented for the first time the ING Group risk dashboard. This risk dashboard captures the risks in all Banking and Insurance business lines in terms of Earnings at Risk and Capital at Risk, and shows the impact of diversification across the ING Group. The ING Group Executive Board uses the risk dashboard to monitor and manage the actual risk profile in relation to the ING Group risk appetite. It enables the ING Group Executive Board to identify possible risk concentrations and to support strategic decision making. The risk dashboard is reported to the ING Group Executive Board on a quarterly basis and is subsequently presented to the ING Group Audit Committee.

ING Group'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 the risk appetite is cascaded through the Group, thereby safeguarding proper and controlled risk taking. The role of the business lines is to maximise the value within established risk boundaries. Each quarter, the ING Group Executive Board monitors that the financial and non financial risks are within the boundaries of the risk appetite as set in the strategic planning process.

The overall ING Group risk appetite is translated into specific operational limits which are cascaded down into the ING Bank organisation, e.g.
- Credit risk limits;
- ALM/Value at Risk limits.

ING BANK RISK PROFILE

GENERAL

ING Bank is engaged in selling a broad range of products. The financial risks that arise from selling these products are managed by the Corporate Credit and Market Risk departments. Operational risks are managed by the Corporate Operational, Information and Security Risk department.

Economic Capital ING Bank

One of the core 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. 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. Figures shown reflect all diversification effects within ING Bank, including risk reduction between the risk categories. Business risk is included in the non-financial risk category to cover unexpected losses that may arise as a result of changes in volumes, margins and costs.

The ING Bank Economic Capital model is described in more detail in the 'Model Disclosures' section.

The following table provides the Economic Capital break down by risk category including diversification benefits proportionally allocated to the risk types:

Economic Capital (Bank diversified only) by risk category

	2007	2006
Credit risk (including Transfer risk)	**7,503**	7,557
Market risk	**7,407**	4,816
Non-financial risk *	**3,017**	3,503
Total banking operations	**17,927**	15,876

* Non-financial risk includes operational risk as well as business risk.

In 2007 the Economic Capital models for the bank were reassessed following an enhancement program that was driven by preparation for Basel II and the further alignment with other risk measurement developments, such as the introduction of the ING Group risk dashboard. This has lead to several changes and improvements that mainly relate to credit risk, real estate risk (part of market risk) and diversification. The figures reported for 2007 are based on the best estimate risk profile at the reporting date, whereas previously reported economic capital figures were based on year-to-date averages that are also used for RAROC performance measurement.

The overall increase in Economic Capital is mainly due the acquisition of Oyak Bank and the taking of several strategic equity interests. The latter, as well as the Bank of Beijing IPO, mainly explain the increase in market risk capital. The change in non-financial risk results predominantly stems from the diversification methodology adjustment.

The following table provides the Economic Capital break down by business line including diversification benefits proportionally allocated to the risk types:

Economic Capital (Bank diversified only) by Line of Business

	2007	2006
Wholesale Banking	**8,646**	8,136
Retail Banking	**5,360**	4,050
ING Direct	**2,831**	3,430
Corporate Line Bank *	**1,090**	260
Total banking operations	**17,927**	15,876

* Corporate Line includes funding activities at ING Bank level, internal transactions between business units and the Corporate Line, and is managed by Capital Management.

The growth of the Economic Capital figure for the Wholesale Banking business line can be mainly explained by the credit risk model enhancements, whereas the risk profile is relatively stable.

The Retail Banking Economic Capital increased predominantly as a result of the acquisition of Oyak Bank and the Bank of Beijing IPO. This increase is partly offset by the methodology enhancements for credit risk and the decrease of non-financial risks. Contrary to the portfolio growth of ING Direct, Economic Capital experienced a decrease mainly as a result of model enhancements following the Basel II implementation. The increase of the Economic Capital allocated to the Corporate Line can be explained by the increase in strategic equity interests.

CREDIT RISKS

Credit risk is the risk of loss from default by debtors (including bond issuers) or trading counterparties. Credit risks can be 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 Group entities, including country-related risks. CCRM is organised along the three business lines of ING Bank: Retail Banking, Wholesale Banking and ING Direct. The CCRM General Manager is functionally responsible for the global network of credit risk staff, while the heads of the 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 the Group.

ING Group’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, (pre)-settlement, money market and investments as well in trading activities. ING Bank applies a Risk Adjusted Return on Capital framework (RAROC) which consistently 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 Bank 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, or discount/premium amortisations.

Investment risk

Investment risk is the credit default and migration risk that is associated with ING's investments in bonds, commercial paper, securitizations, and other similar publicly traded securities. Investment risk arises when ING Bank 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.

Money market risk
Money market risk arises when ING Bank 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 Bank may lose the deposit placed. Money market risk is therefore measured simply as the notional value of the deposit.

Pre-settlement risk
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 (potential or expected risk) is the cost of ING Bank 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 outstanding is generally based on the replacement value (mark-to-market) plus 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 Bank has paid or delivered its side of the trade. The risk is that ING Bank 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 Bank 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 entering into internationally accepted documentation, such as International Swaps and Derivatives Association (ISDA) Master Agreements for derivative transactions. Additionally, ING Bank 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 Bank 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 other exposure in that country, regardless of the currency. Transfer risk is the risk incurred through the inability of ING Bank or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING Bank 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.

Collateral policies
As with all financial institutions and banks in particular, ING Bank 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 investments, as well as reviewing existing loans trading positions and investments, ING Bank 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 Bank actively enters into various legal arrangements whereby ING Bank 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 Bank can receive or pledge. Additionally, ING Bank 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 Bank 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 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 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 (15-19) 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 (less than 1 week) which are subsequently reflected in the risk rating of 18-19 (or comparable status based on an increased probability of default). A watch list indication may develop into a restructuring status (rating 15-19) or even a recovery (20-22) status. Most borrowers with a watch list indication return to a regular status. 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

	2007	2006
From restructuring (18-19) to regular (1-17) status	**1,170**	877
From recovery (20-22) to regular or restructuring status (1-19)	**4,359**	4,004
Total of renegotiated loans	**5,529**	4,881

This total is split in Business and Consumer clients as follows:

Renegotiated business loans that would otherwise be past due or impaired

	2007	2006
From restructuring (18-19) to regular (1-17) status	**1,170**	877
From recovery (20-22) to regular or restructuring status (1-19)	**1,414**	1,996
Total of renegotiated Business loans	**2,584**	2,873

For Business clients, ING Bank has taken a proactive approach to restructuring loans that may have otherwise experienced financial difficulties, which has led to an increase in the level of restructuring loans which have returned to a regular status. The decrease in the level of problem loans returning to performing (regular) status is related to the overall decrease in problem loans as whole.

Renegotiated consumer and mortgage loans that would otherwise be past due or impaired

	2007	2006
From restructuring (18-19) to regular (1-17) status		
From recovery (20-22) to regular or restructuring status (1-19)	**2,945**	2,008
Total of renegotiated consumer and mortgages loans ('Consumer')	**2,945**	2,008

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 will be 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

	2007	2006
Neither past due nor impaired	**750,049**	644,318
Past due but not impaired (1-90 days) [1]	**5,416**	3,879
Impaired	**5,219**	6,299
	760,684	654,496

[1] Based on lending (consumer loans and residential mortgages only).

Aging analysis (past due but not impaired): ING Bank portfolio, outstandings [1,2]

	2007	2006
Past due for 1-30 days	**4,709**	3,143
Past due for 31-60 days	**633**	548
Past due for 61-90 days	**74**	188
	5,416	3,879

[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 Bank 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 Bank does take possession of the collateral, ING Bank 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.

Impaired Loans: ING Bank Portfolio, outstandings by economic sector

	2007	2006
Private individuals	**2,356**	2,227
Services	**219**	258
Construction, Infrastructure and Real Estate	**635**	964
Financial Institutions	**538**	639
Food, Beverages and Personal Care	**264**	366
General Industries	**270**	399
Automotives	**200**	133
Transportation and Logistics	**110**	361
Other	**627**	952
Total	**5,219**	6,299

The table above represents the breakdown of impaired loans by major industry sector across all of ING's banking operations. Against this portfolio, ING Bank holds specific and collective provisions of EUR 711 million and EUR 680 million, respectively (2006 EUR 1,391 million and EUR 718 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 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 [(1)]

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
	2007	2006	2007	**2006**	2007	2006	**2007**	2006
Opening balance	**1,610**	2,294	**741**	725	**291**	294	**2,642**	3,313
Changes in the composition of the Group	**2**	–78	**95**		**1**	–23	**98**	–101
Write-offs	**–593**	–404	**–302**	–236	**–57**	–51	**–952**	–691
Recoveries	**30**	31	**26**	44	**3**	11	**59**	86
Increase/(decrease) in loan loss provision	**–115**	–118	**172**	161	**68**	60	**125**	103
Exchange differences	**–23**	–55	**5**	–7	**–1**	–5	**–19**	–67
Other changes	**10**	–60	**34**	54	**4**	5	**48**	–1
Closing balance	**921**	1,610	**771**	741	**309**	291	**2,001**	2,642

(1) During 2007, ING Cards was moved from ING Direct to Retail Banking. In order to provide comparative figures, EUR 21 million of 'Increase/(decrease) in loan loss provision' in 2006 has been reclassified from ING Direct to Retail banking.

ING Bank's risk costs continued to be low in 2007, as a result of the low inflow of new problem loans and continued improvement of the average risk profile of our credit portfolio reflecting both the strength of the economy in our core markets in Wholesale Banking and the low risk growth strategy in Retail Banking and ING Direct. The total balance of Wholesale Banking provisions in 2007, like in 2006 experienced a material decrease as a result of significant write offs, while there was little or no compensating effect from provisions on new problem loans. The same development was visible in 2006. The 2007 Wholesale Banking risk costs were also low due to a release of EUR 115 million from one single debtor.

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 120.2 billion at 31 December 2007 and EUR 95.2 billion at 31 December 2006. 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 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 classes ING Bank portfolio by business line, as % of total outstandings (1) (2)

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
1 (AAA)	**5.6%**	5.5%	**0.2%**	0.4%	**31.5%**	32.4%	**12.8%**	13.6%
2-4 (AA)	**26.2%**	26.3%	**4.8%**	5.6%	**19.3%**	24.6%	**18.6%**	20.6%
5-7 (A)	**14.5%**	13.8%	**3.4%**	2.7%	**14.4%**	13.3%	**11.8%**	10.9%
8-10 (BBB)	**21.4%**	19.7%	**35.3%**	31.5%	**21.0%**	15.8%	**24.7%**	21.3%
11-13 (BB)	**24.5%**	27.7%	**46.0%**	48.6%	**12.3%**	12.6%	**25.8%**	27.6%
14-16 (B)	**5.9%**	4.9%	**6.3%**	7.4%	**0.8%**	0.8%	**4.3%**	4.1%
17-22 (CCC & Problem Grade)	**1.9%**	2.1%	**4.0%**	3.8%	**0.7%**	0.5%	**2.0%**	1.9%
	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 table reflects probabilities of default and does 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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
1 (AAA)	**1.9%**	1.1%	**48.4%**	43.9%	**5.9%**	4.8%	**5.4%**	6.7%	**12.8%**	13.6%
2-4 (AA)	**6.0%**	5.9%	**35.2%**	40.3%	**61.4%**	51.7%	**58.2%**	50.9%	**18.6%**	20.6%
5-7 (A)	**9.5%**	8.0%	**13.7%**	12.3%	**16.8%**	32.9%	**22.3%**	18.6%	**11.8%**	10.9%
8-10 (BBB)	**35.7%**	32.8%	**1.5%**	1.6%	**8.2%**	6.5%	**7.1%**	10.3%	**24.7%**	21.3%
11-13 (BB)	**37.7%**	42.3%	**0.9%**	1.9%	**7.1%**	3.8%	**5.3%**	13.0%	**25.8%**	27.6%
14-16 (B)	**6.3%**	6.7%	**0.1%**		**0.3%**	0.3%	**1.2%**	0.5%	**4.3%**	4.1%
17-22 (CCC & Problem Grade)	**2.9%**	3.2%	**0.2%**		**0.3%**		**0.5%**		**2.0%**	1.9%
	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 table reflects probabilities of default and does not take collateral into consideration.

ING banking units completed the implementation of Basel II compliant risk rating models in 2007 which led to small improvements in the average reported credit quality. During 2007 the residential mortgage portfolio of ING Direct grew significantly, most notably in Germany and the United States, while the size of its investment portfolio showed a moderate decrease in particular with respect to exposure regarding Public Administration and certain ABS sub-classes. As a result of ING's close management of its liquidity placements as a result of the general market turmoil experienced in the latter half of 2007, ING Bank experienced a shift to higher quality counterparties for its money market activities. The increase in BB rated Money Market outstandings is largely due to the Oyak Bank acquisition.

Risk concentration: ING Bank portfolio, by economic sector (1)

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Construction, infrastructure and Real Estate	**13.3%**	12.3%	**2.4%**	2.0%	**0.8%**	0.8%	**6.5%**	5.8%
Financial Institutions	**41.2%**	39.0%	**3.7%**	3.3%	**53.8%**	59.0%	**36.2%**	37.0%
Natural Resources	**6.2%**	4.7%	**0.2%**	0.2%			**2.7%**	2.0%
Private Individuals	**0.4%**	0.3%	**83.7%**	81.8%	**39.8%**	31.4%	**33.9%**	31.3%
Public Administration	**8.4%**	11.2%	**1.5%**	1.8%	**5.3%**	7.5%	**5.7%**	7.6%
Services	**4.7%**	4.6%	**1.7%**	1.6%			**2.4%**	2.3%
Transportation and Logistics	**4.7%**	4.7%	**0.5%**	0.5%			**2.1%**	2.0%
Other	**21.1%**	23.2%	**6.3%**	8.8%	**0.3%**	1.3%	**10.5%**	12.0%
	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.

ING Direct showed a shift towards private individuals reflecting the emphasis on building the ING Direct residential mortgage business. The other banking units showed no significant shift in the economic sector concentrations. All other industries not shown in the table above have less than 2.0% concentrations.

Largest economic exposures: ING Bank Lending portfolio, by country [1]

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
amounts in billions of euros	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Netherlands	**68.7**	62.0	**141.1**	122.1	**1.6**	1.8	**211.4**	185.9
United States	**28.9**	25.8	**0.2**	0.2	**58.2**	52.1	**87.3**	78.1
Belgium	**44.4**	36.2	**27.5**	26.2	**1.4**	1.6	**73.3**	64.0
Germany	**9.4**	10.3	**0.2**	0.3	**54.8**	45.3	**64.4**	55.9
Spain	**12.4**	11.0	**0.4**	0.4	**38.5**	36.0	**51.3**	47.4
United Kingdom	**19.4**	17.1	**0.1**	0.1	**17.3**	18.5	**36.8**	35.7
Australia	**5.0**	2.4			**25.4**	22.0	**30.4**	24.4
Italy	**12.6**	10.9	**0.5**	0.6	**12.2**	9.7	**25.3**	21.2
France	**17.0**	16.2	**0.6**	0.6	**4.1**	3.2	**21.7**	20.0
Canada	**1.7**	1.5	**0.1**		**15.7**	15.1	**17.5**	16.6

[1] Only covers total exposures in excess of EUR 10 billion.

The growth in most countries presented above followed the growth pattern of the portfolio as a whole. The growth at ING Direct in Germany is driven by own originated mortgages as well as the acquisition of a residential mortgage portfolio, which closed in late 2007. This was offset by the sale of the former BHF problem loan portfolio within Wholesale Banking. Retail Banking in The Netherlands grew through organic growth as well as the purchase of Nationale Nederlanden Hypotheek Bedrijf (NNHB residential mortgages) from Nationale Nederlanden.

MARKET RISKS

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates, negatively impact the bank's earnings or market value. 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 Wholesale 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 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 Portfolios

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 a 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 Wholesale Banking activities.

CMRM Trading focuses on the management of market risks in the trading portfolios of Wholesale 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 Trading is responsible for the development and implementation of trading risk policies and risk measurement methodologies, reporting and monitoring of risk exposures against approved trading limits and validation of pricing and risk models. CMRM also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. Management of trading market risk is performed at various organisational levels, from CMRM Trading overall down to specific business areas and trading offices.

Measurement
ING Wholesale Banking 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 250 business days. ING Bank 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 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.

The VaR for linear portfolios is calculated using a variance – covariance approach. The market risk of all the important option portfolios within ING Bank is measured by Monte Carlo and historical simulation methods.

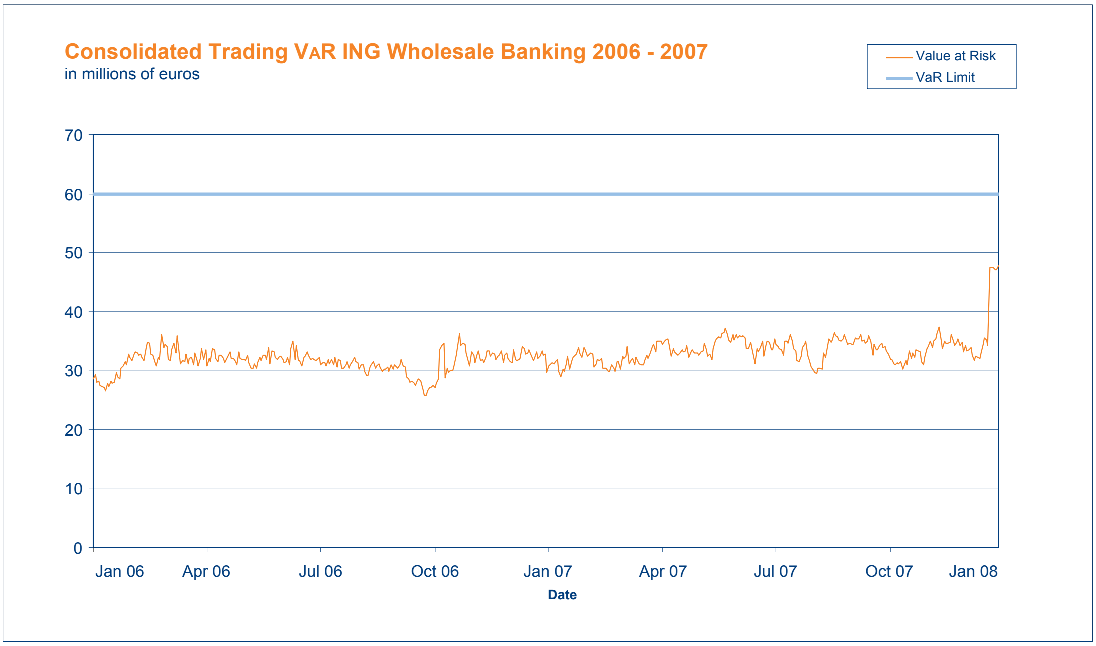
Limitations
VaR as a risk measure has some limitations. VaR quantifies the potential loss under the assumption of normal market conditions only. This assumption may not always hold true in reality, especially when market events occur, and therefore could lead to an underestimation of the potential loss. VaR also 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.

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 Bank also uses hypothetical results, which measures 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 at maximum. In 2007, there was no occurrence (2006: none) where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale Banking. ING Bank reports the results of this backtesting to the Dutch Central Bank on a quarterly basis.

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 Bank 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 Wholesale Banking. The event risk number for the ING Wholesale 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 Bank 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 Bank evaluates specific stress scenarios, as an addition to its structured stress tests. These specific scenarios relate to current concerns, like political instability in certain regions, terrorist attacks or extreme movements in energy prices.

Other risk limits
VaR and event risk limits are the most important limits to control the trading portfolios. Furthermore, ING Bank 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 trading 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 Wholesale Banking trading portfolio which was managed by CMRM Trading during 2006 and 2007. 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 2006 and 2007 the overnight VaR for the ING Wholesale Banking trading portfolio stayed within the range of EUR 26-48 million.

The average exposure over 2007 was higher than 2006 (average VaR 2007: EUR 34 million and average VaR 2006: EUR 31 million). The VaR remained well within the ING Wholesale Banking trading limit. Trading positions with interest rate exposures provided the largest contribution to the trading VaR. In the second half of December the trading VaR increased substantially to EUR 47 million. This increase is related to a counterparty downgrade in the structured credit trading book. As the transactions with this counterparty served as a hedge for other exposures in this book, the downgrade of this counterparty resulted in a rise of the trading VaR.

More details on the VaR of the ING Wholesale Banking trading portfolio for 2007 and 2006 are provided in the table below.

Consolidated trading VaR: ING Wholesale Bank

	Minimum		Maximum		Average		Year end	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Foreign exchange	**2**	1	**7**	7	**4**	3	**4**	2
Equities	**5**	7	**13**	11	**9**	9	**6**	8
Interest	**22**	20	**43**	30	**27**	25	**43**	27
Diversification (1)					**–6**	–6	**–5**	–4
Total VaR					**34**	31	**48**	33

(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 captions are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

In general, the trading VaR showed larger movements in 2007 resulting in broader ranges for the equity and interest rate VaR. Due to a counterparty downgrade in December, in particular the interest rate VaR (including credit spread exposures) has risen substantially.

The following table shows the largest trading positions in foreign exchange, interest rate and corporate credit spread positions.

Most important foreign exchange, interest rate and credit spread positions (year end 2007)

	2007
Foreign exchange	
US dollar	–171
Russian rouble	108
Japanese yen	–80
Ukrainian Hryvnia	58
Swiss Franc	52
Interest Rate (Bpv [1])	
Eurozone	–1.2
United States	–0.8
Mexico	–0.4
South Korea	–0.1
United Kingdom	–0.1
Credit Spread (Bpv [1])	
Eurozone	–1.2
Mexico	–0.2
United States	–0.2
Russia	–0.2
United Kingdom	–0.2

(1) Bpv (or basis point value) refers to profit and loss account sensitivity per 1bp increase in the interest rate or credit spread.

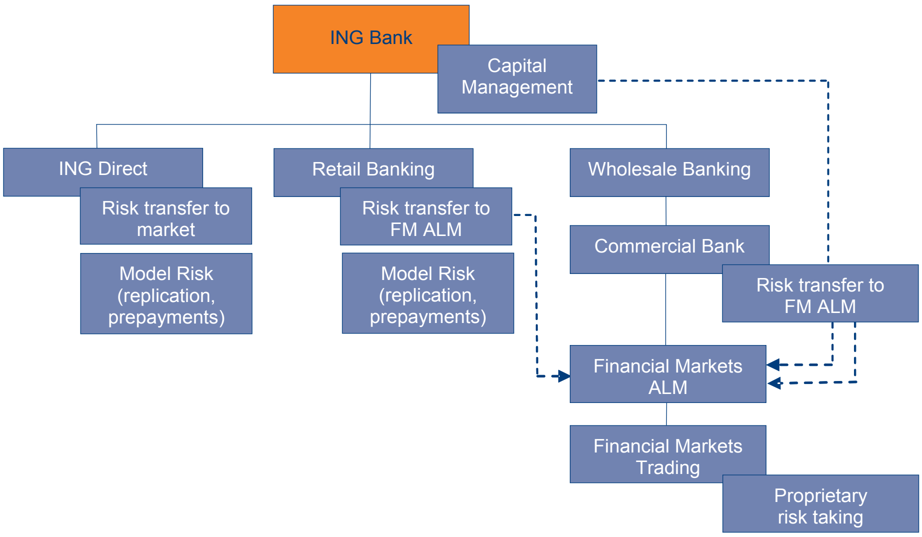
Market risk in Non-Trading Portfolios

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 book positions.

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 enable clear assignment of 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 hereafter presents the ALM framework of ING Bank:



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 its 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.

Within ING Bank's ALM framework, the risk transfer principle is used. 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 arised from the fact that own originated assets and liabilities do not reprice simultaneously. The transfer of the outright interest rate risk is to a large degree based on modelling client behaviour. Within CMRM, continuous 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 presented to the designated ALCO.

For the determination of the interest rate sensitivity of savings accounts and current accounts, several methods have been developed, e.g. historical simulation, Earnings at Risk 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 is determined as well for the mortgage portfolio 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 demand deposits, 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 Wholesale 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 of ING Bank.

In the following sections, the risk figures for interest rate risk in the banking books are presented. ING Bank uses several measures to manage interest rate risk both from an earnings and a value perspective. Earnings-at-Risk 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.

Earnings at Risk (EaR)

EaR measures the impact on accounting earnings (pre tax) resulting from changes of market rates over a time period of one year. Changes in balance sheet dynamics and management interventions are not incorporated in these calculations. The EaR figures in the table below are determined on the basis of an instantaneous upward 1% parallel shock in the market rates. This shock is assumed to take place at the beginning of the year and the market rates are assumed to remain stable for the remainder of the year. For the ALM books EaR measures the potential loss of earnings due to the structural mismatch in interest rate positions. The calculations for the ALM books capture the EaR resulting from the current positions. For the commercial banking books the EaR captures the interest rate risks resulting from savings, demand deposits and the main mortgage portfolios. The impact of new business is included in the EaR calculations for the savings and demand deposits portfolios, as it is most relevant for these portfolios. The EaR of the Corporate Line, i.e. the investment of ING Bank's own funds, reflects the interest risk profile of the investments only. This ignores the ALCO Bank's assumption that its shareholders expect ING Bank to invest the funds in such a way that it produces a long-term and stable income.

Earnings (1% instantaneous upward shock to market rates) [1]

	2007	2006
By Business Line		
ING Wholesale Banking	**–87**	–19
ING Retail Banking	**–121**	–107
ING Direct	**–5**	–260
ING Bank Corporate Line	**26**	22
ING Bank Total	**–187**	–364
By Currency		
Euro	**–125**	–232
US dollar	**9**	–80
Pound sterling	**–13**	–4
Other	**–58**	–48
Total	**–187**	–364

[1] The impact of the newly acquired Oyak Bank has not been included in the tables for interest rate risk in the banking books.

The total EaR figure as result of an upwards shock of the market rates of 1%, decreased over the course of this year. This was mainly caused by a sharp reduction of the ING Direct EaR figure. ING Direct reduced during 2007 its earnings sensitivity profile in order to increase flexibility in price setting. The EaR figure of ING Wholesale Banking was rather small last year and returned to more normal levels this year mainly due to the strategic interest rate positions maintained in the ALM books.

Net Present Value-at-Risk

The Net Present Value (NPV)-at-Risk figures represent the full value impact (i.e. including convexity) to 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 value mutations in the banking books only for a small part are fed directly 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 or directly in the profit and loss account. 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 EaR 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. In these calculations it is assumed that savings and other demand deposits of Retail and Wholesale Banking are perfectly represented via the replicating methods and therefore 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 (1% instantaneous upward shock to market rates) [(1)]

	2007	2006
By Business Line		
ING Wholesale Banking	–442	–559
ING Retail Banking	–222	–134
ING Direct	–234	–377
ING Bank Corporate Line	–892	–818
ING Bank Total	–1,790	–1,888
By Currency		
Euro	–1,498	–1,465
US dollar	–439	–402
Pound sterling	74	–58
Other	73	37
Total	–1,790	–1,888

(1) The impact of the newly acquired Oyak Bank has not been included in the tables for interest rate risk in the banking books.

The end-of-year overall NPV-at-Risk figure as result of an upwards shock of the market rates of 1% is in line with the prior year. Within ING Direct the NPV-at-Risk figure decreased mainly because of the reduction of the duration of the investments. Within ING Retail Banking this figure increased mainly due to the larger impact of prepayment risk as result of newly produced mortgages with longer repricing tenors.

Basis Point Values

The Basis Point Value (BPV) figures below represent the value impact to the banking books resulting from a change in the interest rates of 1 basis point. The BPV figures represent the directional position under a small shift in interest rates and do not capture the convexity resulting from the optionality in mortgages under larger interest rate movements.

BPV'S per currency

amounts in thousands of euros	2007
Euro	–15,165
US dollar	–2,055
Pound Sterling	778
Other	706
Total	–15,736

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. Again, under the view that this capital is not sensitive to interest movements. The remaining outright risk is mainly maintained in the Bank's ALM books in which the strategic position is maintained.

Foreign exchange risk in Non-Trading Books

Foreign exchange (FX) exposures in non-trading books result from commercial banking business (business units doing business in other currencies than their base currency), realised non-EUR results and FX translation risk on foreign currency investments. 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.

Realised results

Every unit hedges realised results to the base currency of the unit. On a monthly basis the central Capital Management department hedges the non-EUR results to EUR. ING Bank does not hedge the future EUR value of projected results in non-EUR currency.

FX Translation result

ING's strategy is to protect its Tier 1 ratio against unfavourable currency fluctuations. The protection is largely achieved by the issuance of USD and GBP denominated capital, and furthermore by taking structural foreign currency positions. In general, open positions are deliberately taken in order to achieve protection of the Tier 1 ratio by aligning non-EUR denominated capital with risk weighted assets in these currencies. The US dollar, Pound sterling, Polish zloty, Australian dollar and Canadian dollar are the main currencies in this respect. With the acquisition of the Turkish Oyak Bank, the

Turkish lira has been added to the list of main currencies. For other currencies the objective is to substantially mitigate the translation risk.

Overnight exposure ING Bank, for primary non-trading currencies

2007	Foreign investments	Tier-1	Gross exposure	Hedges	Net position
US dollar	**2,644**	**–3,630**	**–986**	**–483**	**–1,469**
Pound sterling	**–848**	**–817**	**–1,665**	**1,635**	**–30**
Polish zloty	**1,076**		**1,076**	**–656**	**420**
Australian dollar	**1,228**		**1,228**	**–136**	**1,092**
Canadian dollar	**822**		**822**	**–559**	**263**
Turkish lira	**1,848**		**1,848**		**1,848**
Other currency	**4,897**		**4,897**	**–3,312**	**1,585**
Total	**11,667**	**–4,447**	**7,220**	**–3,511**	**3,709**

Overnight exposure ING Bank, for primary non-trading currencies

2006	Foreign investments	Tier-1	Gross exposure	Hedges	Net position
US dollar	5,338	–2,883	2,455	–1,460	995
Pound sterling	–1,044	–894	–1,938	1,930	–8
Polish zloty	938		938	–523	415
South Korean won	1,124		1,124	–1,087	37
Australian dollar	1,048		1,048	–123	925
Canadian dollar	974		974	–704	270
Other currency	1,380		1,380	–1,335	45
Total	9,758	–3,777	5,981	–3,302	2,679

Foreign investments in US dollars decreased substantially due to the repatriation of capital out of the United States.

The net position in US dollars decreased in 2007 for two reasons. Firstly due to the issuance of 1,545 million Tier 1 capital denominated in US dollars. Secondly, in anticipation of the lower number of US dollar risk-weighted assets under the Basel II rules (starting January 1st, 2008), the net position was decreased.

The acquisition of the Turkish Oyak Bank was concluded in December 2007. As a result, the number of risk-weighted assets denominated in Turkish lira increased substantially. The net position is maintained to safeguard the Tier 1 ratio against currency fluctuations of the Turkish lira.

The FX risk in the non-trading books is measured by using the Value-at-Risk methodology as explained in the trading risk section. The VaR for FX quantifies with a one-sided confidence interval of 99%, the maximum overnight loss in 99% of the cases that could occur due to changes in foreign exchange rates.

Consolidated non-trading FX VaR: ING Bank

	Low		High		Average		Year end	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
FX VaR	**14**	7	**62**	22	**22**	17	**62**	21

During 2007, the FX VaR increased mainly for two reasons. Firstly, the IPO of the Bank of Beijing in November resulted in a EUR 1.6 billion increase in exposure to the Chinese Yuan, and consequently, a rise in the FX VaR. Secondly, the acquisition of the Turkish Oyak Bank in December resulted in a significant Turkish lira position.

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 of which the price reacts similarly to a particular security, a defined basket of securities, or a securities index. ING Bank maintains a rather stable portfolio with substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 2,010 million (2006: EUR 1,223 million) and equity securities held in the Available-for-Sale portfolio of EUR 3,627 million (2006: EUR 1,898 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 2007 the revaluation reserve relating to equity securities held in the Available-for-Sale portfolio fluctuated between a month-end low amount of EUR 518 million (2006: EUR 463 million) and a high amount of EUR

2,580 million (2006: EUR 641 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, ING Bank is the largest real estate investment management company in the world in terms of assets under management. For most of its real estate funds, ING Bank has co-invested seed capital. A decrease in real estate prices will cause the value of this seed 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.

Only for this last category, Real Estate price shocks will have a direct impact on reported net profit.

LIQUIDITY RISK

As with bank market risk, 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 costs 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 ALCO's. 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.

Liquidity Risk Management
Responsible:
- ALCO Bank

Topics
- Policies & Procedures
- Liquidity risk identification and monitoring

Structural Liquidity Risk	Tactical Liquidity Risk	Contingency Liquidity Risk
Delegated Responsible Working group consisting of Corporate Market Risk Management, Capital Management and Financial Markets Topics: Structural liquidity gap Funding mix Marketable assets Central Bank eligibility Securitizations Funds transfer pricing	Delegated Responsible Financial Markets and Corporate Market Risk Management Topics: Stress testing and reporting Cash and collateral reporting Daily and intraday funding & Liquidity risk management	Delegated Responsible ING Crisis team consisting of the CFO, CRO, Head of CMRM, Head of Capital Management, all main Treasurers of ING Group (incl ING Insurance), Head of Corporate Communications. Topics: Liquidity risk management in times of crisis

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 a working group consisting of Corporate Market Risk Management, Capital Management and Financial Markets 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:

- Maintaining a well diversified mix of funding sources in terms of instrument types, fund providers, 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 highly marketable assets that can be used to obtain secured funding;
- 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.

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 stagger 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 Bank 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 Bank a specific crisis team is responsible for the liquidity management in times of crisis. This crisis team consists of the ING Group CRO and CFO, the Directors of CMRM and Capital Management and all the main treasurers of ING Bank. Within ING Bank 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 at 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 Bank 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.

COMPLIANCE AND OPERATIONAL RISKS

ING Bank believes that good compliance management is in the best interest of its customers, shareholders and staff, and is important for the way ING Bank does business. Complementary to this, effective control and management of operational risks leads to more stable business processes and lower operational risk costs.

Acting with integrity and preserving ING Bank's reputation is of paramount importance. Complying with relevant laws, regulations and ethical and internal standards, in both letter and spirit, is a prerequisite for this. Reputation risk is defined as the current and prospective impact on earnings and capital arising from negative public opinion. This may affect the ability to establish new relationships or services or continue servicing existing relationships. This risk may also expose an institution to litigation, financial loss, or a decline in its customer base. Managing reputation risk is therefore an essential part of ING Bank's business strategy, taking into account all stakeholders, whose perception of ING Bank determines its reputation. Risks or uncertainties, both positive and negative, are carefully managed, as reputation risk does not exist in isolation – rather, all risks may impact on reputation.

Within ING Bank everything centres on people and trust. ING Group's Executive Board and Senior Management share a clear vision of reputation management that goes well beyond the compliance and operational risk functions itself and drives the process of delivering on that vision. ING Bank therefore expects the highest levels of personal conduct and integrity from all its employees and managers in order to safeguard its reputation.

COMPLIANCE RISK

Compliance risk is defined as the risk of damage to ING Bank's reputation as a result of failure (or perceived failure) to comply with relevant laws, regulations, internal policies and procedures or ethical standards. In addition to reputation damage, failure to effectively manage compliance risk can expose financial institutions to fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses. A failure (or perceived failure) can adversely impact customers, staff and shareholders of ING Bank.

Compliance management is fundamental to driving value. The pursuit of long term business sustainability requires proper conduct of business activities in accordance with the high ethical standards of ING Bank's Business Principles. These principles not only reflect laws and regulations, but are also based on ING Bank's core values: integrity, entrepreneurship, professionalism, responsiveness and teamwork.

Clear and accessible policies and procedures are embedded in ING Bank business processes in all business lines. An infrastructure is in place to enable management to track current and emerging compliance issues and to communicate these to internal and external stakeholders. A comprehensive system of internal controls and audit creates an environment of continuous improvement in managing compliance risk. ING Bank understands that good compliance involves understanding and delivering on the expectations of customers and other stakeholders, thereby improving the quality of key relationships based on honesty, integrity and fairness.

The Scope of the Compliance function

The Compliance function focuses on managing the risks arising from laws, regulations and standards which are specific to the financial services industry and which are issued by legislative and regulatory bodies relevant to ING's businesses, or by ING Group Compliance. The Compliance function actively educates and supports the business in managing areas such as anti-money laundering, counter-terrorist financing, conflicts of interest management, sales and trading conduct and Customer interest and protection.

The following Compliance risk areas have been defined and highlighted for particular attention:

- Client related integrity risk; this includes Financial Economic Crime – money laundering, terrorist financing, other external crime and fraud. Following Customer and Business Partner Due Diligence processes and monitoring business transactions are key contributors to how this risk is managed;
- Personal conduct related integrity risk; this includes market abuse and personal insider trading. Business principles and (local) codes of conduct and specific policies on outside positions by ING Bank officers, inducements, including gifts and entertainment assist with management of these risks;
- Financial services conduct related integrity risk; the primary focus of this area of compliance risk is on marketing, sales and trading conduct, conduct of advisory business, transparency of product offerings, customer interest and protection. To assist with management of these risks ING Bank has complaint handling processes, internal standards with respect to new product approval and product review and policies for data protection and privacy;
- Organisational conduct related integrity risk; this covers conflicts of interest, anti-trust and relationships with third parties and intermediaries. Policies and measures in place to manage this risk include conflicts of interest policies and procedures including Chinese Walls, regulatory registration requirements and outsourcing and Merger and Acquisition policies and due diligence processes.

ING Bank has a Whistleblower Policy and 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 Whistleblower Policy ensures that staff is protected when raising issues.

ING Bank's global operations include business activities throughout the world, with subsidiaries and branches in many countries. Compliance activities in ING Bank's businesses consequently embrace or relate to various legal and regulatory requirements, as well as a variety of business and commercial needs.

The organisation of Compliance

The Chief Compliance Officer (Group Compliance) reports directly to the ING Group CRO and is responsible for developing and establishing the company-wide Compliance Policy. The Chief Compliance Officer also establishes and approves the minimum standards for Compliance and assists and supports the ING Group Executive Board in managing ING Bank's Compliance risks. The Compliance function is organised along functional reporting lines.

The ING Group Group Compliance function comprises Corporate Compliance and Business Line Compliance. Corporate Compliance is responsible for developing and communicating ING Bank's global compliance framework, policies and guidance for key areas of Compliance risk and provides advice to Business Line Compliance staff on policy matters.

ING Bank uses a layered functional approach within Business Line Compliance to ensure systematic and consistent implementation of the company-wide Compliance Policy, minimum standards and the Compliance Framework. 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 supervisory role in the compliance risk management process and manages and supervises all functional activities of the Compliance Officers in the respective region or division. The business line Compliance Officers perform this task for each respective business line and also provide leadership and overall direction to the regional or division Compliance Officers.

To avoid potential conflicts of interests, it is imperative that the Compliance Officer is impartial and objective when advising business management on compliance matters 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 around objective setting remuneration, performance management, and the appointment of new Compliance staff.

Compliance Management Policies and Tools

The responsibility of the Compliance Function is to proactively:
– Identify, assess and monitor the compliance risks faced by ING Bank;
– Assist, support and advise management in fulfilling its compliance responsibilities;
– Advise any employee or officer with respect to their (personal) compliance obligations.

To ensure robust compliance risk management, Corporate Compliance, in close cooperation with business line Compliance and the business operations, has developed policies, processes and tools to assist with management of compliance risks. This set of compliance risk management processes and tools consists of the following components:
– Compliance chart (outlining the local scope of compliance in terms of laws, regulations and standards);
– Compliance risk identification and assessment;
– Compliance risk mitigation, (including implementation of standards, procedures and guidelines);
– Compliance risk monitoring (adherence to the Compliance Policy, its minimum standards and applicable legal and regulatory standards; quarterly reporting);
– Incident management;
– Training and education;
– Action tracking;
– Provision of compliance advice;
– Compliance governance.

Developments in 2007

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 United States 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 Bank seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinising 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 Bank to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING Bank's licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING Bank's reputation and financial condition. However, ING Bank's primary focus is to support these objectives as good business practice through Business Principles and group policies.

ING Bank N.V. has been in discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, US and other authorities. These discussions prompted ING Bank N.V. to engage in a review regarding transactions involving sanctioned parties. In connection with this 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 the DNB. ING Bank also remains in discussions with authorities in the US and in other jurisdictions concerning these matters, and it is not possible to predict at this time the outcome thereof.

One of the key priorities in 2007 was to work closely with business management to further embed the company-wide Financial Economic Crime policy. An enhanced Financial Economic Crime policy has been rolled out globally, requiring the implementation of strict Know Your Customer and Customer Due Diligence programs as well as the use of technology for the screening of customers and transactions.

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives, ING Bank N.V. has closed its representative office in Cuba. The Netherlands Caribbean Bank, which is now a 100% ING subsidiary, is being liquidated. In addition, ING has concluded that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING will not enter into new relationships with clients from these countries while a process has started to discontinue existing relationships involving these countries. At present these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba.

In addition a dedicated Sanctions Desk was established within Corporate Compliance in 2007 to help the businesses cope with the increasing amount of regulation and sanctions, such as the EU, UN and US Regulations on money laundering and terrorist financing and sanctions.

Also in 2007 ING Bank continued to increase knowledge and understanding of compliance among its employees. The ING Group Executive Board stressed that ING's strategy of sustainable, profitable growth can only be achieved along with effective compliance management. Compliance support teams have been established to help business lines embed compliance within their activities and extensive programs have been initiated to increase compliance knowledge and understanding. These teams serve as a channel for education, coaching, communication and sharing good compliance practices.

The capability and capacity of the Corporate Compliance function have been increased, including a staff increase of 55% and the creation of a central team focusing on Financial Economic Crime and anti-money laundering policies and procedures.

A Compliance Programme Office was set up to support ING Bank's continuing focus on building a culture where compliance is an integral part of 'how business is done'. To increase compliance awareness, a global communication programme was set up commencing with strong messages from the ING Group Executive Board.

OPERATIONAL RISKS

Effective operational risk management leads to more stable business processes and lower operational risk costs. The operational risk management function comprises operational, information and security risks.

This is done by raising operational risk awareness, increasing transparency, improving early warning information and allocating risk ownership and responsibilities. It is the responsibility of group and local Operational Information and Security Risk Management (OISRM) to support general management in managing operational information and security risk (hereafter referred to as operational risk).

Risk management governance

ING OISRM is organised along a functional line comprising three levels within the organisation: the corporate, business line and business unit levels. The General Manager of COISRM (Corporate OISRM) heads the functional line, reporting to the CRO. Each business unit has an OISRM manager that reports to the business line head of OISRM. This layered, functional approach ensures consistent application of guidelines and procedures, regular reporting and appropriate communication as well as the ongoing support for the business. The governance structure is implemented according to the Basel II requirements. The mandate, roles and responsibilities at different levels are clearly described in the OISRM policy house.

Explanation of risk types

ING Bank has defined operational risk as 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. The following eight risk categories are recognised:

- Control risk is the risk on loss due to non-compliance with business policies or guidelines;
- Unauthorised activity risk is the risk on loss caused by unauthorised employee trading, approvals or overstepping of authority;
- Processing risk is the risk on loss due to unintentional human error during (transaction) processing;
- Employment practice and workplace safety risk is the risk of loss due to acts inconsistent with employment, health or safety laws, or agreements, from payment of personal injury claims, or from diversity /discrimination events;
- Personal and physical security risk is the risk of criminal and environmental threats that might endanger the safety of ING Bank personnel within ING Bank locations and ING Bank assets or might have an impact on the ING Bank organisation;
- IT risk is the risk of loss due to inadequate data or information security of systems;
- Crisis management and Business Continuity Planning/Disaster Recovery Planning risk is the risk of loss due to external events (e.g. natural disasters, criminal activity and terrorist attacks) leading to a situation that threatens the safety of people within ING Bank or the continuity of business conducted;
- Internal and external fraud risk is the risk of losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations or the law.

During 2007 ING Group introduced internally the non-financial risk dashboard to provide integrated risk information on compliance, operational, information and security risk using a consistent approach and risk language. Besides the above mentioned risk categories the non-financial risk dashboard distinguishes compliance risk; i.e. the risk that ING Bank does not comply with laws, regulations, standards and expectations, which can result in suspension or revocation of its licenses, cease and desist orders, fines civil penalties or other disciplinary action which could materially harm ING Bank's results of operations and financial condition.

Management
ING has developed a comprehensive framework supporting the process of identifying, measuring and monitoring operational, information and security risks.

Risk Management Processes	Examples of risk management tools
Risk Governance	– Operational Risk Committee – Compliance program – Product Approval process – Risk awareness training
Risk Identification	– Risk and Control Self Assessments – Risk Awareness Programs – Fraud detection
Risk Measurement	– Incidents Reporting and Analysis – RAROC – Quality of Control Scorecards
Risk Monitoring	– Audit Findings Action Tracking – Key Risk Indicator Reporting – Operational risk dashboard
Risk Mitigation	– (Information) Security plans and implementation – Crisis management planning – Personal and physical security planning

ING Bank promotes effective management of operational, information and security risk by requiring business units to demonstrate that the appropriate steps have been taken to control operational risk. ING Bank applies scorecards to measure the quality of operational, information and security risk processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes are in place with the business units. The scorecards indicate the level of control with the business units. The scoring results in a decrease or increase of the risk capitals, depending on both the maturity of implemented operational, information and security risk and the control measures taken.

The overall scorecard outcome showed that ING Group satisfies the Basel II requirements in embedding the risk management framework.

Personal and physical security
ING Bank has established policies on Personal and Physical Security. Entities need to ensure that all policy requirements are maintained. The ING Group Corporate Physical Security policy and minimum determine functional requirements about the areas of physical access security, theft protection, fire protection, cash and valuables protection, utilities and infrastructure protection and supporting security devices. Security plans per location are based on a risk assessment. All (major) ING Bank assets (e.g. premises, information, equipment and valuables) must have a nominated asset-owner, which is accountable for the adequate protection of its entrusted ING Bank asset. Each ING Bank location has to be divided into classified security zones (compartmentalisation) to locate classified assets. Each ING Bank entity must have an appointed physical security manager who is accountable for the implementation of physical security within its location(s).

The corporate policy on Personal Security states how ING Bank's employees should be protected against exposure to the risks or the consequences of criminal and environmental threats. The policy includes minimum standards and some guidelines on business travelling (travel, accommodation and lodging), expatriates (e.g. selection process and accommodation), events by ING Bank and projects in order to create and maintain a safe and secure environment for ING Bank staff and visitors within ING Bank locations and the availability, integrity and reliability of ING Bank assets within and outside ING Bank locations.

Crisis Management
Crisis management includes the process to detect, assess, solve and evaluate a crisis. The ING Group’s Crisis Management policy provides a cohesive overview of crisis management governance in relation to crisis management officer roles and responsibilities across the whole of ING Group. It does not address roles associated with ING Bank customers or other third parties however.

The policy has prescribed requirements around planning and testing of crisis management organisation, crisis communication, building evacuation, emergency actions and business continuity and disaster recovery.

Information security
The OISRM function operates with the mission of ensuring the confidentiality, integrity and availability of information and associated information processing assets through the disciplined used of risk management practices. The OISRM function is comprised of information security specialists within all Business Units and Business Lines, and is coordinated overall at the ING Group level.

The OISRM function has defined a comprehensive suite of policies, standards and guidelines, and compliance is measured and monitored on a regular basis.

The OISRM function actively measures and monitors information risk within the key risk areas noted below. The result of this process is used by ING Bank Business Units to budget, plan, and implement appropriate risk mitigation actions.

Measurement
The operational risk measurement model uses both external and internal loss data (exceeding EUR 1 million) within an actuarial model. The model is adjusted for the scorecard results, taking into account the specific quality of internal control in a business line and the occurrence of large incidents ('bonus/malus'). This provides an incentive to business unit management to better manage operational risk. The outcome is periodically challenged and benchmarked. The capital calculation model meets industry standards.

ING is member of the Operational Risk data eXchange Association (ORX), the world's leading operational risk loss data consortium for the financial services industry. In order to protect ING Bank against financial consequences of uncertain operational events ING Bank 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 Bank retains is of a similar magnitude to the risk retained for casualty business-related catastrophe exposures.

Developments in 2007:
– In 2007 ING Bank obtained DNB's approval to implement the advanced measurement approach for the operational risk capital calculation. ING Bank has applied the AMA calculation as of 1 January 2008. Local implementation of Basel II is supported by the corporate OISRM function;
– The adjusted scorecard approach monitors the compliancy with the Compliance and OISRM framework and its controls while taking the maturity of the business units into account;
– The Anti-fraud Policy has been further upgraded. Defined measures include anti-fraud training, pre-employment screening, additional organisational controls, automated detection as well as reporting and response procedures. OISRM Policy house has been refreshed and reflects all OISRM policies;
– A powersupply issue in one of the datacentres (in the Netherlands) has prompted ING Bank to accelerate an improvement programme for the business continuity and disaster recovery capability and platform security of its datacenters;
– The Non-Financial risk dashboard has been introduced and piloted;
– The integration of the operational, information and security functions at all levels within ING Bank has lead to an organisation which consists of around 535 FTE's at the end of 2007.

MODEL DISCLOSURES
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 Group 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 Disclosures' section explains the model applied for deriving Economic Capital ING Bank.

MODEL VALIDATION
In 2007 all risk models used for the Economic Capital Bank calculations have been reviewed 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 Supervisory Review and Evaluation Process (SREP) that is regularly performed by the Dutch Central Bank.

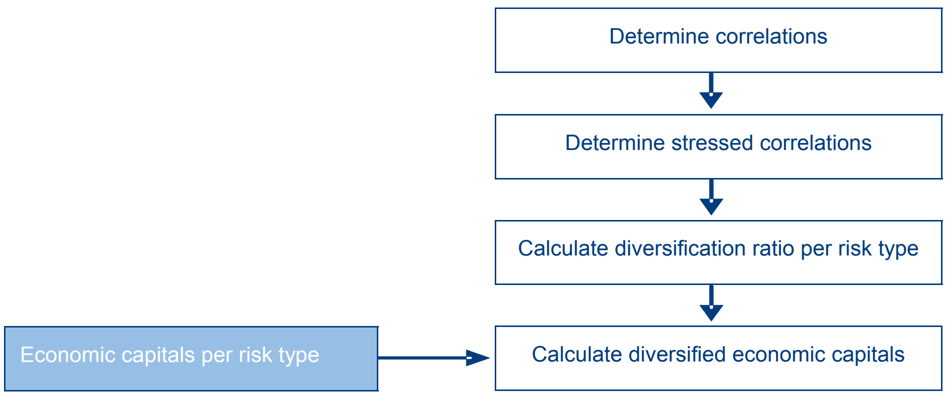
ECONOMIC CAPITAL ING BANK
Economic Capital is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it originates. In general Economic Capital is measured as the unexpected loss above the expected value or loss at a given confidence level. 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). By comparing Economic Capital figures with ING's available financial resources, adequate capital buffers can be ensured.

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 non-financial risks (business and operational) expert opinion is used.

The Economic Capital for ING Bank involves the aggregation of the underlying Economic Capitals of five distinct risk types, namely credit, transfer, market, operational and business 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 with 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. The same methodology is used for both the banking and the insurance operations.

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 the same as 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 standardized approach for certain portions of ING's portfolio. These differences are permitted under the Basel II guidelines.

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 Closed Algebraic Formula (RAC)	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 Data warehouse 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 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 2007, the Economic Capital levels for credit and transfer risk were calculated on a weekly basis for most of the Wholesale Bank, for ING Direct investment portfolios and for the SME portfolios within the Retail banking operations. For consumer loans, residential mortgages, credit cards, and the insurance portfolios, 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 BANK

General
Economic Capital for market risk is the Economic Capital necessary to withstand unexpected value movements due to changes in model risks and 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 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 (including development 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 price risk, the risk drivers of vacancy rate and construction delays are in addition 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.

Economic Capital for market risk for the large non-trading portfolios within ING Retail Banking and ING Wholesale Banking is calculated for embedded option risk (e.g. the prepayment option in mortgages) and model risk. The model risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities. For example, the hedge for savings portfolios is based on assumptions with respect to developments of volumes and client rates. Deviations in these assumptions can lead to (ex-post) incorrect estimation of the interest rate typical maturity of saving deposits. If there is more outflow than initially modelled, the duration of the savings money may be lower than the duration of the investments, which leads to losses if interest rates go up. The Economic Capital model for market risk is based on estimations of the 99% confidence savings duration error, combined with the 99% adverse interest rate movement. The combined probability represents a 99.95% confidence level. The economic capital figures of ING Direct capture the model risk of the behavioural liabilities in line with the model described above. The Economic Capital figure for ING Direct currently does not capture the embedded option risk and the model risk resulting from the mortgages maintained within this line of business. This will be implemented in 2008.

For the model applied to mortgage portfolios a similar rationale is employed. The quality of the hedge depends on assumptions with respect to prepayment behaviour. If these assumptions are wrong, the funding may be either too long or too short term. Similar to the above, the Economic Capital model for market risk is based on the estimated 99% confidence prepayment model error and the 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 Group 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. The main risk drivers are the quality of control and the volume of cash flows or other operational risk control measures, e.g. legal expenditures. While operational risk can be limited through management controls and insurance, many incidents still have a substantial impact on the profit and loss account of financial institutions. Operational risk is more difficult to quantify than other risk types, because of the far-reaching (mostly low probability - high impact) and historic data on business performance is scarce.

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 institution;
– ‘Bonus/Malus’ approach, which focuses on the actual operational incidents of a specific institution.

Loss Distribution approach

The main objective of the LDA approach is to derive an objective capital number 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 above principles 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

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 group 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

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 actual losses are lower than expected, the capital will be decreased. Only internal incidents above one million EUR from the last five years are used. The Bonus/Malus adjustments are capped at + and – 20% to prevent large capital fluctuations in total ING capital.

ING BANK BUSINESS RISK CAPITAL

The current calculation method applied within ING Bank defines business risk as the ‘residual risk category‘ that includes all risks that are not covered by the explicitly defined (and managed/measured) credit/transfer, market and operational risk categories. In accordance with the residual risk definition, the measurement of business risk capital is based on a single risk factor; i.e. the volatility of the ‘residual’ profit and loss figures (for each BU) that are cleansed for the effects of other risk types. As a consequence there is no further gain in insight regarding sub business risks.

The level of the business risk capital is linked to the volatility of (cleansed historical) profit and loss data taking into account observed trends. In practice, this means that more stable earnings over time generally lead to less capital.

Using a T–distribution and the level of confidence, the volatility is then 'capitalised' to obtain a business risk capital. The T–distribution is a theoretical probability distribution, is symmetrical, bell-shaped and similar to the standard normal curve. However, the T-distribution has relatively more scores in its tails than the normal distribution.

As relatively short data series are available, a capital floor and cap are included in order to prevent that the business risk capital is under- or overestimated. The minimum (floor: 20%) and maximum (cap: 80%) are specified as a percentage of the operating costs and as such link business risk capital for units that operate at the floor to cost efficiency.

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 Bank 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 Bank. 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 ING Bank is currently AA/Aa2. Capital Management takes into account the metrics and requirements of regulators and rating agencies (Tier 1 and BIS ratios and limits for hybrid capital), and internal risk management models (economic capital (EC) and available financial resources (AFR)).

ING Bank applies two capital definitions:
- Tier 1 capital – Tier 1 capital and total BIS capital are regulatory concepts applicable to ING Bank. Tier 1 capital is defined as shareholders' equity plus hybrids minus certain prudential filters and deductible items. Tier 1 and BIS capital divided by risk weighted assets equals the Tier 1 and BIS ratio respectively;
- AFR – This is a market value concept. In the absence of a full market value balance sheet for ING Bank, AFR Bank is defined as Tier 1 capital plus the revaluation reserve equity securities, less the difference between expected loss and loan loss provisions. AFR is used as the measure of available capital in comparison with EC employed. EC is the amount of capital that is required to absorb unexpected losses in times of severe stress given ING Group's 'AA' target rating.

Increasingly Capital Management considers AFR and EC employed when managing capital. AFR should exceed EC or Economic Capital for ING Bank and for ING Group as a whole there should be a prudent buffer. The target for the buffer at Group level is 20%.

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.

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 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 Board. 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 2007 and 2006, ING Bank met all major target capital ratios and metrics. As at 31 December 2007 and 2006, ING Bank was adequately capitalised in relation to its risk profile and strategic objectives.

BASEL II
As of 1 January 2008, ING Bank calculates its capital ratios under Basel II. In 2008, ING Bank will publish risk weighted assets (RWA), Tier 1 and BIS capital and the accompanying capital ratios based on Basel II data only. In addition, ING will publish the minimum required capital level according to Basel II and according to the Basel I floor. The Basel I floor is a temporary minimum capital requirement based on 90% of Basel I RWA in 2008 and 80% of Basel I RWA in 2009. The minimum requirements according to Basel II and Basel I will both be compared to total BIS capital according to Basel II.

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 including off-balance sheet items and market risk associated with trading portfolios.

Capital management (continued)

Capital position of ING Bank

	2007	2006
Shareholders' equity (parent)	**25,511**	21,298
Minority interests	**1,514**	1,204
Subordinated loans qualifying as Tier-1 capital [(1)]	**6,397**	5,726
Goodwill and intangible assets deductible from Tier-1	**–1,428**	–136
Minority interest Record Bank	**154**	162
Deductions Tier-1 (as of 2007)	**–93**	
Revaluation reserve [(2)]	**–2,283**	–2,470
Core capital – Tier-1	**29,772**	25,784
Supplementary capital – Tier-2	**14,199**	12,367
Available Tier-3 funds		329
Deductions	**–2,407**	–1,251
Qualifying capital	**41,564**	37,229
Risk-weighted assets	**402,727**	337,926
Tier-1	**7.39%**	7.63%
BIS ratio	**10.32%**	11.02%

[(1)] Subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V.
[(2)] Revaluation reserve is deducted as it is not part of Tier-1 capital (included in Tier-2) and includes the cumulative revaluations on real estate investments.

AFR/EC RECONCILIATION

For details regarding the computation of EC see the section entitled 'Risk Management'.

AFR/EC reconciliation

	2007	2006
Capital		
Available Financial Resources (AFR) [(1)]	**31,733**	25,784
Required Economic Capital (EC)	**17,927**	15,876
Ratio EC vs. AFR	**177%**	162%
Target Ratio EC vs. AFR	**100%**	100%

[(1)] Beginning in 2007, the AFR mainly constitutes of Tier-1 capital plus the revaluation reserve for equity securities. Until 31 December 2006 AFR equaled Tier-1 capital. The revaluation reserve for equity securities amounted to EUR 2,952 million at 31 December 2007 (2006: EUR 1,256 million).

Main credit ratings [(1)]

	Standard & Poor's	Moody's	Fitch
ING Bank			
– short term	A-1+	P-1	F1+
– long term	AA	Aa1	AA
– financial strength		B	

[(1)] The Standard & Poor's, Moody's and Fitch ratings all have a stable outlook.

ING's long-term credit ratings are shown in the table above. Each of these ratings 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, 17 March 2008

THE SUPERVISORY BOARD

Jan H.M. Hommen, *chairman*
Eric Bourdais de Charbonnière, *vice-chairman*
Henk W. Breukink
Peter A.F.W. Elverding
Luella Gross Goldberg
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *chairman*
Eric F. Boyer de la Giroday
Dick H. Harryvan
John C.R. Hele, *CFO*
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Koos (J.V.) Timmermans, *CRO*
Jacques M. de Vaucleroy

Parent company balance sheet of ING Bank for the years ended 31 December before profit appropriation

amounts in millions of euros	2007	2006
ASSETS		
Cash and balances with central banks 1	**2,157**	5,424
Short-dated government paper 2	**3,032**	2,741
Amounts due from banks 3	**209,553**	214,857
Loans and advances to customers 4	**122,857**	129,020
Debt securities 5		
– available-for-sale	**16,234**	17,120
– trading	**28,904**	28,064
Equity securities 6		
– available-for-sale	**3,175**	1,059
– trading	**5,713**	7,791
Investments in group companies 7	**27,129**	25,299
Investments in associates 8	**452**	39
Intangible assets 9	**1,044**	27
Equipment 10	**34**	32
Other assets 11	**31,914**	25,646
Total assets	**452,198**	457,119
LIABILITIES		
Amounts due to banks 12	**246,850**	245,862
Customer deposits and other funds on deposit 13	**67,268**	61,090
Debt securities in issue	**35,391**	51,770
Other liabilities 14	**56,904**	57,353
General provisions 15	**873**	1,119
Subordinated loans 16	**19,401**	19,193
Total liabilities	**426,687**	436,387
EQUITY		
Share capital	**525**	525
Share premium	**9,192**	6,992
Share of associates reserve	**69**	45
Currency translation reserve	**–18**	42
Other reserves	**13,454**	11,158
Unappropriated profit	**2,289**	1,970
Total equity 17	**25,511**	20,732
Total liabilities and equity	**452,198**	457,119

References relate to the notes starting on page 118 which 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	**2007**	2006	2005
Result of group companies after taxation	**4,549**	4,398	3,330
Other results after taxation	**–960**	–628	591
Net profit	**3,589**	3,770	3,921

Parent company statement of changes in equity of ING Bank
for the years ended 31 December

amounts in millions of euros	Total	Share capital	Share premium	Share of associates reserve	Currency translation reserve	Other reserves
Balance as at 1 January 2006	20,748	525	6,992	47	183	13,001
Unrealised revaluations after taxation	–1,066				119	–1,185
Realised gains/losses transferred to profit and loss	–184					–184
Changes in cash flow hedge reserve	–423					–423
Employee stock options and share plans	52					52
Exchange rate differences	–260				–260	
Other	–105			–2		–103
Net profit	3,770					3,770
Dividend	–1,800					–1,800
Balance as at 31 December 2006	20,732	525	6,992	45	42	13,128
Unrealised revaluations after taxation	**678**				**300**	**378**
Realised gains/losses transferred to profit and loss	**–338**					**–338**
Changes in cash flow hedge reserve	**–227**					**–227**
Employee stock options and share plans	**61**					**61**
Exchange rate differences	**–360**				**–360**	
Other	**476**			**24**		**452**
Net profit	**3,589**					**3,589**
Dividend	**–1,300**					**–1,300**
Capital injection	**2,200**		**2,200**			
Balance as at 31 December 2007	**25,511**	**525**	**9,192**	**69**	**–18**	**15,743**

In 2007, an amount of EUR 2,200 million additional share premium is received from ING Group to strengthen solvency.

Other reserves include Revaluation reserve, Retained earnings and Unappropriated profit.

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 with regard 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 initially recognised at cost and subsequently accounted for by the equity method of accounting.

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 our office of 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 statutory 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.

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 2,078 million (2006: EUR 5,347 million).

2 SHORT-DATED GOVERNMENT PAPER

Short-dated government paper includes international government paper amounting to EUR 2,997 million (2006: EUR 2,741 million) for the company.

3 AMOUNTS DUE FROM BANKS

Amounts due from banks

	2007	2006
Non-subordinated receivables from		
Group companies	**165,383**	189,094
Third parties	**43,984**	23,692
	209,367	212,786
Subordinated receivables from		
Group companies	**44**	2,020
Third parties	**142**	51
	209,553	214,857

As at 31 December 2007, amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 28,973 million (2006: EUR 18,494 million).

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers – non-subordinated

	2007	2006
ING Groep N.V.	**1,784**	2,302
Group companies	**67,667**	74,440
Third parties	**53,406**	52,278
	122,857	129,020

As at 31 December 2007, assets held under finance lease contracts amounted to nil (2006: nil).

As at 31 December 2007, the receivables included in Loans and advances to customers that are part of the trading portfolio amounted to EUR 23,345 million (2006: EUR 28,658 million).

Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 21,949 million (2006: EUR 28,577 million) for the company.

5 DEBT SECURITIES

Debt securities by issuer

	2007	2006
Public sector	**25,963**	26,108
Other	**19,175**	19,076
	45,138	45,184

Debt securities analysed by listing

	2007	2006
Listed	**43,563**	42,796
Unlisted	**1,575**	2,388
	45,138	45,184

Debt securities – subordinated and non-subordinated

	2007	2006
Non-subordinated debt securities issued by		
Associates	**14**	
Group companies		1,523
Third parties	**45,108**	43,578
	45,122	45,101
Subordinated debt securities issued by		
Associates	**16**	
Third parties		83
	45,138	45,184

Changes in debt securities (available-for-sale)

	2007	2006
Opening balance	**17,120**	20,469
Additions	**4,906**	3,435
Amortisation	**17**	
Changes in the composition of the group	**–823**	–897
Gains/(losses) from change in fair value	**–287**	–760
Provision for impairment	**–13**	
Disposals and redemptions	**–5,902**	–4,818
Exchange rate differences	**–84**	–59
Other changes	**1,300**	–250
Closing balance	**16,234**	17,120

As at 31 December 2007, the cost of the trading debt securities amounted to EUR 28,904 million (2006: EUR 28,064 million).

As at 31 December 2007, an amount of EUR 15,110 million (2006: EUR 15,577 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 12,088 million as at 31 December 2007 (2006: EUR 12,236 million).

Borrowed debt securities are not recognised in the balance sheet and amount to nil (2006: nil) as at 31 December 2007.

6 EQUITY SECURITIES

Equity securities analysed by listing

	2007	2006
Listed	**8,806**	8,626
Unlisted	**82**	224
	8,888	8,850

Changes in equity securities (available-for-sale)

	2007	2006
Opening balance	**1,059**	1,150
Additions	**439**	22
Changes in the composition of the group	**53**	–37
Gains/(losses) from change in fair value	**1,802**	–20
Disposals	**–73**	
Exchange rate differences	**–105**	–44
Other changes		–12
Closing balance	**3,175**	1,059

The cost or purchase price of the shares in the trading portfolio approximates their fair value. As at 31 December 2007, the cost or purchase price of shares in the available-for-sale portfolio was EUR 2,097 million lower (2006: EUR 410 million lower) than the carrying amount.

7 INVESTMENTS IN GROUP COMPANIES

Investments in group companies

	Interest held (%)	**Balance sheet value 2007**	Interest held (%)	Balance sheet value 2006
Name of investee				
ING Bank Nederland N.V.	**100**	**4,293**	100	2,420
ING België N.V.	**100**	**8,750**	100	8,476
ING Direct N.V.	**100**	**4,760**	100	5,323
ING Financial Holdings Corporation (Holding U.S. entities)	**100**	**965**	100	4,190
ING Real Estate Management Holding B.V.	**100**	**2,745**	100	2,297
Bank Slaski S.A.	**75**	**758**	75	693
Oyak Bank A.S.	**100**	**888**		
Other (including financing companies)		**3,970**		1,900
		27,129		25,299

As at 31 December 2007, Investments in group companies included credit institutions of EUR 21,351 million (2006: EUR 17,878 million). As at 31 December 2007, listed investments in group companies amounted to EUR 758 million (2006: EUR 693 million).

Changes in investments in group companies

	2007	2006
Opening balance	**25,299**	25,131
Additions	**3,553**	2,782
Repayment of capital injection	**–3,000**	
Revaluations	**–1,469**	–1,412
Results from group companies	**4,549**	4,398
Dividends received	**–592**	–160
Disposals	**–290**	–4,810
Exchange rate differences	**–316**	–546
Other changes	**–605**	–84
Closing balance	**27,129**	25,299

8 INVESTMENTS IN ASSOCIATES

Investments in associates

	Interest held (%)	**Balance sheet value 2007**	Interest held (%)	Balance sheet value 2006
Name of investee				
TMB Public Company Limited	**25**	**402**		
Atlas Investeringsgroep N.V.	**33**	**2**	33	1
Atlas Investors Partnership III C.V.	**21**	**1**	21	3
Equens N.V.	**30**	**39**	19	23
Currence (formerly Brands & Licenses betalingsverkeer Nederlands Holding B.V.)	**30**	**8**	30	2
		452		29
Receivables from associates				10
		452		39

Changes in associates

	Investments in associates		Receivables from associates		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**29**	21	**10**	7	**39**	28
Additions	**362**			3	**362**	3
Share of results	**26**	12			**26**	12
Disposals	**–5**				**–5**	
Exchange rate differences	**40**	–1			**40**	–1
Other changes		–3	**–10**		**–10**	–3
Closing balance	**452**	29		10	**452**	39

9 INTANGIBLE ASSETS

Changes in intangible assets

	Goodwill		Software		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**20**	20	**7**	24	**27**	44
Additions	**1,015**		**6**	7	**1,021**	7
Changes in the composition of the group				–20		–20
Depreciation			**–3**	–3	**–3**	–3
Disposals				–1		–1
Other changes			**–1**		**–1**	
Closing balance	**1,035**	20	**9**	7	**1,044**	27

10 EQUIPMENT

Changes in equipment

	2007	2006
Opening balance	**32**	251
Additions	**14**	12
Changes in the composition of the group		–220
Depreciation	**–11**	–11
Disposals	**–1**	–3
Exchange rate differences	**–2**	1
Other changes	**2**	2
Closing balance	**34**	32
Gross carrying amount as at 31 December	**130**	128
Accumulated depreciation as at 31 December	**–96**	–96
Net book value	**34**	32

11 OTHER ASSETS

Other assets by type

	2007	2006
Derivatives	**18,766**	16,209
Deferred tax assets	**100**	123
Income tax receivable	**1,062**	1,257
Accrued interests and rents	**8,500**	7,330
Other accrued assets	**50**	160
Pension asset	**278**	246
Other receivables	**3,158**	321
	31,914	25,646

As at 31 December 2007, an amount of EUR 1,502 million (2006: EUR 1,768 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

	2007	2006
Group companies	**121,442**	162,686
Third parties	**125,408**	83,176
	246,850	245,862

13 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit by group companies and third parties

	2007	2006
Group companies	**12,783**	14,763
Third parties	**54,485**	46,327
	67,268	61,090

Customer deposits and other funds on deposit by type

	2007	2006
Savings accounts	**1,397**	820
Credit balances on customer accounts	**4,232**	3,630
Corporate time deposits	**51,937**	41,577
Other	**9,702**	15,063
Customer deposits and other funds on deposit	**67,268**	61,090

14 OTHER LIABILITIES

Other liabilities

	2007	2006
Derivatives	**17,492**	14,726
Trading liabilities	**16,270**	24,627
Accrued interest	**18,622**	15,940
Costs payable	**306**	285
Income tax payable	**59**	30
Other taxation and social security contribution	**28**	16
Other amounts payable	**4,127**	1,729
	56,904	57,353

As at 31 December 2007, an amount of EUR 1,029 million (2006: EUR 989 million) was expected to be settled after more than one year from the balance sheet date.

As at 31 December 2007, Other liabilities includes an amount of EUR 7.91 (2006: EUR 7.91) for seven preference shares with a par value of EUR 1.13 each.

15 GENERAL PROVISIONS

General provisions

	2007	2006
Deferred tax payable	**436**	724
Pension liabilities and other staff-related liabilities	**14**	14
Reorganisations and relocations	**143**	36
Other	**280**	345
	873	1,119

As at 31 December 2007, an amount of EUR 775 million (2006: EUR 1,048 million) was expected to be settled after more than one year from the balance sheet date.

16 SUBORDINATED LOANS

Subordinated loans by group companies and third parties

	2007	2006
Group companies		400
Third parties	**19,401**	18,793
	19,401	19,193

Subordinated loans by type

	2007	2006
Capital debentures	**12,891**	12,949
Private loans	**6,510**	6,244
	19,401	19,193

17 EQUITY

Capital and reserves

	2007	2006
Share capital	**525**	525
Share premium	**9,192**	6,992
Share of associates reserve	**69**	45
Currency translation reserve	**–18**	42
Other reserves	**13,454**	11,158
Unappropriated profit	**2,289**	1,970
	25,511	20,732

Other reserves includes Revaluation reserves of EUR 2,283 million (2006: EUR 2,470 million) and Retained earnings of EUR 10,605 million (2006: EUR 8,688 million).

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number X1,000	**Amount**	Number X1,000	Amount
		2007		2006
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 2006 and 2007.

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**

Notes to the parent company balance sheet of ING Bank (continued)

Changes in revaluation reserve

2006	Available-for-sale reserve	Cash flow hedge reserve	Property in own use reserve	Real estate investments reserve	Total
Opening balance	2,713	1,077	362	110	4,262
Unrealised revaluations after taxation	–1,274		24	65	–1,185
Realised transferred to profit and loss	–184				–184
Changes in cash flow hedge reserve		–423			–423
Other changes		1	–1		
Closing balance	1,255	655	385	175	2,470

Retained earnings and Unappropriated profit

	Retained earnings		Unappropriated profit		Total	
	2007	2006	**2007**	2006	**2007**	2006
Opening balance	**8,688**	5,518	**1,970**	3,221	**10,658**	8,739
Transfer to retained earnings	**1,968**	3,218	**–1,968**	–3,218		
Employee stock options and share plans	**61**	52			**61**	52
Other changes	**–112**	–100	**–2**	–3	**–114**	–103
Profit for the period			**3,589**	3,770	**3,589**	3,770
Dividend			**–1,300**	–1,800	**–1,300**	–1,800
Closing balance	**10,605**	8,688	**2,289**	1,970	**12,894**	10,658

The Revaluation reserve, Share of associates reserve, Other reserves 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. Unrealised gains and losses on derivatives, other than cash flow hedges, are presented in the profit and loss and are thus 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 2007 Other reserves included an amount of EUR 566 million (2006: EUR 566 million; 2005: EUR 583 million) related to Regio Bank NV (formerly Stichting Regio Bank) that cannot be freely distributed.

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

2007	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	176,595	3,752	858	501	11	27,836	209,553
Loans and advances to customers	47,946	22,110	11,259	10,926	7,403	23,213	122,857
Liabilities							
Amounts due to banks	194,788	17,528	3,725	416	466	29,927	246,850
Customer deposits and other funds on deposit	47,809	6,236	2,754	627	710	9,132	67,268
Debt securities in issue	12,954	7,387	3,493	2,873	770	7,914	35,391
Subordinated loans	49	289	91	4,429	13,366	1,177	19,401

Analysis of certain assets and liabilities by maturity

2006	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	170,094	11,812	5,828	6,111	3,531	17,481	214,857
Loans and advances to customers	42,375	22,821	13,430	13,932	7,804	28,658	129,020
Liabilities							
Amounts due to banks	197,591	14,143	13,009	2,399	1,875	16,845	245,862
Customer deposits and other funds on deposit	33,096	7,091	3,625	1,210	1,061	15,007	61,090
Debt securities in issue	11,957	22,118	5,563	3,079	757	8,296	51,770
Subordinated loans	655		666	6,993	9,500	1,379	19,193

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	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Investments	1,227	2,324					1,227	2,324
Lending	122					79	122	79
Banks			1,138	602			1,138	602
Other assets	865	244			11	23	876	267
	2,214	2,568	1,138	602	11	102	3,363	3,272

20 CONTINGENT LIABILITIES

Contingent liabilities by type

	2007	2006
Guarantees	5,851	5,381
Irrevocable letters of credit	2,464	1,246
Other	134	114
Contingent debts	8,449	6,741
Irrevocable facilities	20,855	19,342
	29,304	26,083

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

Contingent debts

	2007	2006
Group companies	**845**	1,129
Third parties	**7,604**	5,612
	8,449	6,741

Irrevocable facilities

	2007	2006
Group companies		594
Third parties	**20,855**	18,747
	20,855	19,341

GUARANTEES
ING Bank N.V. has issued statements of liabilities in connection with article 403 of the Dutch Civil Code and other guarantees for a number of group companies.

REMUNERATION
See Note 28 ‘Related parties’ to the Consolidated annual accounts.

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 17 March 2008

THE SUPERVISORY BOARD

Jan H.M. Hommen, *chairman*
Eric Bourdais de Charbonnière, *vice-chairman*
Henk W. Breukink
Peter A.F.W. Elverding
Luella Gross Goldberg
Claus Dieter Hoffmann
Piet Hoogendoorn
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *chairman*
Eric F. Boyer de la Giroday
Dick H. Harryvan
John C.R. Hele, *CFO*
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Koos (J.V.) Timmermans, *CRO*
Jacques M. de Vaucleroy

Auditor’s report

To the Shareholders, Supervisory Board and the Executive Board of ING Bank N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the accompanying annual accounts 2007 of ING Bank N.V., Amsterdam. The annual accounts consist of the consolidated annual accounts and the company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2007, the consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company annual accounts comprise the company balance sheet as at 31 December 2007, the company profit and loss account and the company changes in equity for the year then ended and the notes.

Management's responsibility
Management 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 Netherlands Civil Code, and for the preparation of the report of the executive board in accordance with Part 9 of Book 2 of the Netherlands 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 requires 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 2007, 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 Netherlands Civil Code.

Opinion with respect to the company annual accounts
In our opinion, the company annual accounts give a true and fair view of the financial position of ING Bank N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the executive board report is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 17 March 2008

KPMG Accountants N.V.

M. Hogeboom RA

Proposed profit appropriation

The profit is appropriated pursuant to Article 36 of the Articles of Association of ING Bank N.V., the relevant stipulations of which state that the profit shall be at the disposal of the General Meeting of Shareholders.

Proposed profit appropriation

amounts in millions of euros	
Net profit at the disposal of the General Meeting of Shareholders	**3,589**
Add to Other reserves	**2,269**
Add to Share of associates reserve	**20**
Cash dividend to holders of ordinary shares	**1,300**

ING Bank N.V.
Amstelveenseweg 500,
1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone: +31 20 5415411
Fax: +31 20 5415444
Internet: www.ing.com

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