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2006

ING Bank

Annual Report

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ING Bank N.V.
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Commercial Register of Amsterdam, nr. 33031431

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 provides a broad range of insurance, banking and asset management services and is a top-15 global financial institution (based on market capitalisation). We serve more than 60 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, small businesses, large corporations, institutions and governments.

Our strategy

ING's overall ambition is to create value for its shareholders: to give them a higher total return than the average of that of our peers over the longer term. To achieve that, we steer our business towards value creation through growth and return and aim to keep improving the execution of our business fundamentals. We want to excel at what we do and focus on delivering outstanding service to our customers and on firmly managing costs, risks and reputation. We invest in growth, and to this end ensure we are in businesses and markets with good long-term growth potential. Retirement services, ING Direct and our life insurance activities in developing markets are all good examples of this. In many cases we are also able to outgrow the competition in mature markets by focusing on selective product and client segments.

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

What we do

ING Bank has three business lines. A clear client focus and strong business logic are the key elements in this structure.

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 property company 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 developing markets of Poland, Romania, 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 consumers 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.

Contents

1 Composition of the Supervisory Board and the Executive Board

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:

From 7 February 2006:

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
Eric Bourdais de Charbonnière, *Vice-Chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Jan H.M. Hommen
Aad G. Jacobs (until 25 April 2006)
Piet C. Klaver (as of 25 April 2006)
Paul J.A. Baron de Meester (until 25 April 2006)
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *Chairman*
Cees Maas, *Vice-Chairman and CFO*
Eric F. Boyer de la Giroday
Dick H. Harryvan (as of 25 April 2006)
Fred S. Hubbell (until 25 April 2006)
Eli P. Leenaars
Tom J. McInerney (as of 25 April 2006)
Hans van der Noordaa (as of 25 April 2006)
Alexander H.G. Rinnooy Kan (until 25 April 2006)
Jacques M. de Vaucleroy (as of 25 April 2006)
Hans K. Verkoren (until 25 April 2006)

Change in the composition of the Supervisory Board and Executive Board on 7 February 2006.
In 2004 it was anticipated that ING Bank N.V. would become the holding company for the Dutch banking operations and that its non-Dutch assets and liabilities would be transferred to a separate legal entity. Consequently, the members of the Supervisory Board and Executive Board of ING Netherlands were appointed as members of the Supervisory Board and Executive Board of ING Bank N.V. as of 2004. However, in November 2005 it was decided that ING Bank N.V. would remain the holding company for ING's world-wide banking operations, while the Dutch banking operations would be transferred to a seperate legal entity, ING Bank Nederland N.V. Subsequently, the members of the Supervisory Board and Executive Board of ING Groep N.V. were again appointed as members of the Supervisory Board and Executive Board of ING Bank N.V. on 7 February 2006.

Until 7 February 2006:

THE SUPERVISORY BOARD

Alexander H.G. Rinnooy Kan, *Chairman*
Anneke J. van Doorne-Huiskes
Kees Izeboud
Eli P. Leenaars
Hanja (J.)R.H. Maij-Weggen
Rudy M.J. van der Meer

THE EXECUTIVE BOARD

Jan H.J. Zegering Hadders, *Chairman*
Dick P. Boot, *CFO*
Wilbert J.M. Buiter
Sjaak de Graaf
Hans van der Noordaa
Ludo J. Wijngaarden

TO THE SHAREHOLDER,

The Supervisory Board hereby presents you the 2006 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 2006 is proposed of EUR 1,800 million. This amount has already been paid as interim dividend to the holders of ordinary shares.

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

The Supervisory Board started the year with its annual full-day meeting in January on ING's strategy and medium-term plan. In February, the annual figures were discussed, including the related audit reports of the external auditors. ING Wholesale Banking gave a presentation on its positioning and activities in the financial markets. In May, the figures for the first quarter were discussed. Leadership development was discussed on the basis of a report by Group Human Resources. The six-month results were discussed in the August meeting, also based on the verbal report on the discussions in the preceding Audit Committee meeting, as in every meeting. The October meeting was used for presentations and discussions on Operations/IT and Private Banking, while in November the nine-month figures were discussed.

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

Composition of the Supervisory Board
Aad Jacobs and Paul de Meester retired after the General Meeting of Shareholders in April 2006. In the same meeting Cor Herkströter and Karel Vuursteen were reappointed as members of the Supervisory Board. Piet Klaver was appointed as a new member.

Paul van der Heijden will retire after the General Meeting of Shareholders on 24 April 2007, having reached the maximum period of three terms of four years. Claus Dieter Hoffmann and Wim Kok will be nominated for reappointment.
The Supervisory Board nominates three candidates for appointment: Mr. Henk Breukink (1950, Dutch nationality, as per 24 April 2007), Mr. Peter Elverding (1948, Dutch nationality, as per 1 August 2007) and Mr. Piet Hoogendoorn (1945, Dutch nationality, as per 1 June 2007). The proposed appointments were approved by the Dutch Central Bank.

Composition of the Executive Board
In April 2006, Fred Hubbell, Alexander Rinnooy Kan and Hans Verkoren retired from the Executive Board. The newly appointed members were Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleroy. In 2007, Mr. Maas – vice-chairman and Chief Financial Officer – will reach the contractual retirement age of 60. His role as CFO includes responsibility for the finance and risk management functions. In the light of the strong developments in these fields, it will be proposed to the 2007 General Meeting of Shareholders to appoint a new CFO, responsible for the finance function, and a CRO, chief risk officer, responsible for risk management. John Hele (Canadian, 1958) and Koos Timmermans (Dutch, 1960) will be proposed for appointment to CFO and CRO, respectively. Mr. Hele was appointed deputy CFO on 1 May 2006. He joined ING in 2003. Mr. Timmermans has been working for ING since 1996. He was appointed deputy CRO also on 1 May 2006.

Appreciation for the Executive Board and the ING employees
The Supervisory Board would like to thank Cees Maas for his tremendous contribution to ING and Paul van der Heijden for his commitment as Supervisory Board member. We are pleased that Cees Maas will continue to serve ING as an advisor to the Executive Board.

Finally, the Supervisory Board would like to thank the Executive Board for the way it led the company in another year of good results as well as the ING Bank employees for their daily commitment, always in the interests of the customers, shareholder and other stakeholders.

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

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 42 Primary reporting format – Business segments.

Financial results

ING Bank's activities continued to show strong growth in savings and mortgages, which helped offset the impact of flattening yield curves. Operating expenses were under control, while risk costs remained very low, although the fourth quarter of 2006 showed an increase as releases from old provisions diminish. Underlying profit before tax rose 12.8% to EUR 5,091 million mainly driven by increased income. Interest results rose 2.1% as strong volume growth was largely offset by the impact of flattening yield curves. Loans and advances to customers increased by EUR 34.7 billion, or 8.6%, to EUR 437.8 billion, despite the divestments of Deutsche Hypothekenbank and Degussa Bank in 2006. Growth was driven mainly by residential mortgage lending at ING Direct and the retail banking activities in the Netherlands. The total interest margin narrowed to 1.06% from 1.16% in 2005. Commission results rose 11.7%, driven by higher management fees, mainly from the investment management activities at ING Real Estate, and increased fees from the securities business, brokerage & advisory and insurance broking.

Underlying operating expenses were up 4.9% to EUR 9,032 million, including EUR 164 million in additional compliance-related costs in 2006. ING Direct contributed 2.3%-point to the expense growth of the banking activities. Although the underlying addition to the provision for loan losses increased to EUR 100 million from EUR 69 million in 2005, risk costs were only 3 basis points of average credit-risk-weighted assets, which is well below the normalised level of 25-30 basis points.

2006 was another good year for the banking activities. Demand for mortgages, savings and real estate benefited ING Bank. The environment was challenging with strong volume growth largely offset by lower interest rates, a flat yield curve and market volatility at historic lows. ING Bank has adapted to a changing market, which can be characterised by increasing customer freedom and the growing importance of developing markets.

Because consumers increasingly want to determine their own financial choices, ING Bank has simplified its products, services and channels and continues to focus on its mature markets and its growth markets, especially in Central Europe and Asia, to capture future growth. All of the banking activities contributed to profit growth. Wholesale Banking, the biggest contributor, offers a full range of products to companies and institutions. Real estate activities continue to benefit from a rising market. In Retail Banking, the focus on customers and product simplicity are paying off. Private banking services are growing, especially in Belgium and Asia. ING Direct, the world's leading direct bank, continues to attract customers in mature markets.

Looking ahead

We believe in the growth potential of our businesses. We will continue to adapt products and services and ensure that our reputation and exemplary customer service are maintained. We can create further growth by focusing on our customers, investing selectively, seeking out the best business opportunities, and reducing costs where possible.

WHOLESALE BANKING

In 2006, Wholesale Banking did well in a challenging business climate by focusing on clients' interests, capitalising on cross-selling opportunities and managing for greater value. ING invested selectively to ensure future growth, sold underperforming business units, sought out opportunities for profitable growth and closed several landmark deals. The real estate activities also continued to grow rapidly.

Wholesale Banking achieved good results in 2006, delivering profitable growth. Underlying profit grew, as strong income growth more than offset higher expenses and return to a net loan addition to loan loss provisions. Underlying profit before tax increased 9.8% to EUR 2,525 million, driven by higher profit in General Lending and Payments and Cash Management, Leasing and Factoring, as well as in Real Estate. Structured Finance continued to perform strongly. The Financial Markets result was down due to challenging yield curves and historic low market volatility. Underlying operating expenses rose 5.1% to EUR 3,400 million due to non-recurring cost items such as compliance. On a recurring basis operating expenses increased by 1.6%. Risk Adjusted Return on Capital after tax continued to improve to 20.6%, also driven by higher returns from ING Real Estate.

Focus on clients and costs

Wholesale Banking continued its efforts to strengthen client relationships, contain costs and optimise capital allocation, helping increase returns in a highly competitive market. In line with the new client coverage model, the focus has been on solution selling, i.e. structured finance and other high-value products. ING increased its market share in asset-based lending in our core markets in both the corporate and mid-corporate segments.

Wholesale Banking, Retail Banking and ING Direct

Finding opportunities
ING also completed a number of top deals that underscore our wide array of banking products and geographical reach. We continued to be a leading player in leveraged finance, with a focus on 'originate to distribute' and maintaining quality risk monitoring. ING Real Estate has had another year of rapid expansion, in large part due to inflows of third-party money and a strong improvement in the development business. The portfolio of ING Real Estate, the world's largest property company by assets under management, increased by 14.5% to EUR 90.7 billion. Growth was driven by strong investor demand for property funds and the takeover of Summit Real Estate Investment Trust in Canada.

Investing for growth
ING has been reallocating capital and investing selectively in order to secure and grow the revenue base. Capital was freed up by selling Williams de Broë and Deutsche Hypothekenbank. In 2006, investments were made in existing core products and in new products that meet the needs of the clients and will contribute to future growth. ING Wholesale Banking made good progress in implementing the group compliance policy in all regions.

Looking ahead
Wholesale Banking will continue developing a truly relationship-driven business, identifying and executing cross-selling opportunities and remaining vigilant in keeping costs under control. It seeks to invest for profitable growth, to improve its business support functions, and to strive to find new ways of maximising value creation.

RETAIL BANKING

Retail Banking had another good year, despite flattening yield curves and lower interest rates, thanks to growth in core products, such as savings and mortgages, direct distribution, cost control and process improvement. ING has a leading position in its retail home markets and is well-positioned in Central Europe and Asia where it is investing in growth.

Underlying profit before tax of Retail Banking in 2006 gained 6.4% to EUR 1,932 million, due especially to volume growth in savings and mortgages. Total underlying income rose 4.7% to EUR 6,002 million. Underlying operating expenses rose 2.6% to EUR 3,930 million.

Meeting customer needs
The Netherlands and Belgium are ING's attractive wealth accumulation markets. In 2006, Retail Banking strengthened its presence, thanks to a combination of increased sales in its core products savings and mortgages, rationalisation of products and processes, customer satisfaction and cost leadership.

In the Netherlands, Postbank has grown to 2.7 million on-line customers and the internet now accounts for 50% of its sales, excluding mortgages. The introduction of innovative products, such as a budget mortgage, has helped to attract new customers and to increase our market share. Postbank has received the highest customer satisfaction levels in national surveys. ING Bank has expanded its branch network and launched initiatives for small and medium-sized enterprises, such as the Small Business Facility. In Belgium, ING Belgium and Record Bank remain key players, adding more than 50,000 new clients. Products, processes and sales have been simplified in Belgium to further control costs.

Well-positioned in developing markets
In Poland, ING is reaping the benefits of its increased marketing efforts and is expanding its distribution network. In Romania the number of Self Bank outlets has grown to 110 serving 279,000 clients. In India, ING Vysya Bank now has 1.5 million retail customers, giving us a good starting position in a market with enormous growth potential. ING also holds a 19.9% stake in the Bank of Beijing, China's second-largest city commercial bank.

Improving cost efficiency, compliance
ING signed agreements with a number of different companies in 2006 to outsource several activities in the Netherlands, Belgium and Poland. The efficiency programmes are expected to produce annual savings of EUR 230 million, mainly related to retail banking, starting in 2008. In 2006, Postbank and ING Bank carried out a project to ensure compliance with a new law concerning client identification.

ING Private Banking continued to grow rapidly in 2006 with both assets and revenues increasing over the year, benefiting from continued private wealth creation worldwide and the consequent increase in demand for private banking services.

Looking ahead
The ambition for ING's retail banking activities in 2007 is to continue with sustainable and profitable growth in mature markets, and to expand market share and profit in selected developing markets and private banking. Retail Banking will continue focusing on simplification, customer centricity and cost leadership.

ING DIRECT

In its 10 years of business, ING Direct has seen its direct banking blossom into a mass market business of substantial scale. ING Direct has grown through the delivery of its effective formula: selling a limited number of simple banking products at very low costs to retail customers in nine major developed markets. Core products include savings and mortgages. With 17.5 million customers, ING Direct is the world's leading direct bank.

In 2006, ING Direct showed a robust profit performance in a challenging interest rate environment with rising short-term interest rates, a flattening yield curve and increased competition. Underlying profit before tax rose 16.2% to EUR 717 million. This increase was driven by the continued growth in clients and savings and mortgages.

ING Direct

By focusing on growth in mortgages and other products, ING Direct was able to maintain a satisfactory interest rate margin. Total underlying income gained 13.1% in 2006, to EUR 2,396 million. Total operating expenses at ING Direct increased 14.5% to EUR 1,598 million, reflecting the investments that have been made to support long-term value creation.

ING Direct differentiates itself from other banks through four key principles: the customer experience, excellent customer service and satisfaction; simplicity and transparency, ensuring simplicity in all the products, processes, services and systems; a low-cost operating model, which is fundamental to continue offering customers value for money; and the 'fleet of companies concept', which gives each company the ability to capitalise on local market opportunities while benefiting from each other's experience.

Leading the transformation of direct banking
ING Direct is the leading direct bank in all nine countries in which it operates: Australia, France, Germany, Austria, Italy, Spain, the UK, Canada and the US. In 2006, it maintained high levels of customer satisfaction and achieved a further increase in brand awareness – two key value drivers. In 2006, ING Direct recorded almost three million new customers. Total funds entrusted grew to EUR 195.9 billion from EUR 188 billion a year earlier. The residential mortgage portfolio reached EUR 69.0 billion, compared with EUR 54.9 billion in 2005.

Achievements
ING Direct celebrated several key achievements in 2006. The UK became profitable in the third year of operations and added mortgages to its product offering. In the US, Chicago and Atlanta were added to the ING Direct footprint. Payment accounts were launched successfully in the US. Total own-originated mortgages production reached a record EUR 20 billion in 2006.

Looking ahead
ING Direct will continue to create value for its customers by ensuring simplicity in all its products, processes, services and systems. Future growth will come from three sources: increased savings growth in countries where the business is already active, geographic expansion, and serving a broader range of customer needs. At maturity, ING Direct will have a narrow range of simple products in each product category with substantial scale, efficiency and profitability. Moving forward, ING Direct's four key principles will be preserved.

Amsterdam, 12 March 2007

THE EXECUTIVE BOARD

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Consolidated balance sheet of ING Bank as at 31 December
before profit appropriation

amounts in millions of euros	2006	2005
ASSETS		
Cash and balances with central banks 1	**11,769**	10,718
Amounts due from banks 2	**39,868**	47,466
Financial assets at fair value through profit and loss 3		
– trading assets	**193,451**	149,787
– non-trading derivatives	**4,968**	5,780
– designated as at fair value through profit and loss	**5,220**	9,472
Investments 4		
– available-for-sale	**153,431**	161,199
– held-to-maturity	**17,660**	18,937
Loans and advances to customers 5	**437,774**	403,059
Investments in associates 6	**1,223**	1,188
Real estate investments 7	**3,665**	1,745
Property and equipment 8	**4,980**	4,624
Intangible assets 9	**385**	291
Other assets 10	**20,591**	19,769
Total assets	**894,985**	834,035
LIABILITIES		
Amounts due to banks 11	**120,839**	122,234
Customer deposits and other funds on deposit 12	**496,775**	466,154
Financial liabilities at fair value through profit and loss 13		
– trading liabilities	**127,925**	92,057
– non-trading derivatives	**4,296**	5,593
– designated as at fair value through profit and loss	**13,702**	11,562
Debt securities in issue 14	**67,464**	73,295
Other liabilities 15	**23,409**	22,546
Subordinated loans 16	**18,073**	18,781
Total liabilities	**872,483**	812,222
EQUITY		
Shareholders' equity (parent) 17	**21,298**	21,331
Minority interests	**1,204**	482
Total equity	**22,502**	21,813
Total liabilities and equity	**894,985**	834,035

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	2006	2006	2005	2005	2004	2004
Interest income	**59,159**		48,152		25,278	
Interest expense	**49,826**		39,007		16,707	
Interest result 31		**9,333**		9,145		8,571
Investment income 32		**528**		523		506
Net gains/losses on disposals of group companies		**–45**		413		–29
Commission income	**3,794**		3,249		3,335	
Commission expense	**1,113**		848		754	
Commission result 33		**2,681**		2,401		2,581
Valuation results on non-trading derivatives 34		**136**		215		
Net trading income 35		**901**		421		626
Share of profit from associates 6		**180**		140		34
Other income 36		**476**		561		374
Total income		**14,190**		13,819		12,663
Addition to loan loss provision 5		**103**		88		465
Other impairments 37		**16**		54		83
Staff expenses 38		**5,091**		4,745		4,951
Operating expenses 39		**3,956**		4,056		3,762
Total expenses		**9,166**		8,943		9,261
Profit before tax		**5,024**		4,876		3,402
Taxation 40		**1,211**		876		898
Net profit (before minority interests)		**3,813**		4,000		2,504
Attributable to:						
Shareholders of the parent		**3,753**		3,950		2,482
Minority interests		**60**		50		22
		3,813		4,000		2,504

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

	2006	2005	2004
Dividend:			
Per ordinary share (in euros)	**3.87**	1.51	1.29
Total amount of dividend paid (in millions of euros)	**1,800**	700	600

Consolidated statement of cash flows of ING Bank
for the years ended 31 December

amounts in millions of euros	2006	2005	2004
Profit before tax	**5,024**	4,876	3,402
Adjustments for:			
– depreciation	**1,088**	1,031	1,062
– addition to loan loss provision	**103**	88	465
– other	**313**	182	–93
Taxation paid	**–1,005**	–682	–687
Changes in:			
– amounts due from banks, not available on demand	**3,117**	–720	–1,206
– trading assets	**–47,106**	–29,715	–4,417
– non-trading derivatives	**–157**	2,550	
– other financial assets at fair value through profit and loss	**3,980**	–2,217	
– loans and advances to customers	**–59,188**	–57,183	–36,031
– other assets	**2,588**	–5,346	356
– amounts due to banks, not payable on demand	**1,925**	19,405	21,986
– customer deposits and other funds on deposit	**47,339**	60,418	67,873
– trading liabilities	**38,780**	13,442	
– other financial liabilities at fair value through profit and loss	**2,140**	7,816	
– other liabilities	**–1,395**	3,096	4,343
Net cash flow from operating activities	**–2,454**	17,041	57,053
Investments and advances:			
– group companies	**–2,829**	–83	–1,896
– associates	**–274**	–364	
– available-for-sale investments	**–106,902**	–94,875	–105,004
– held-to-maturity investments		–1,030	
– real estate investments	**–288**	–109	–193
– property and equipment	**–359**	–398	–257
– assets subject to operating leases	**–1,164**	–991	–950
– other investments	**–142**	–163	–134
Disposals and redemptions:			
– group companies	**271**	665	875
– associates	**369**	398	
– available-for-sale investments	**89,904**	65,719	53,999
– held-to-maturity investments	**1,343**	245	
– real estate investments	**311**	651	239
– property and equipment	**210**	179	157
– assets subject to operating leases	**402**	392	388
– other investments	**16**	10	50
Net cash flow from investing activities 44	**–19,132**	–29,754	–52,726
Repayment preference share premium reserves			–2,294
Proceeds from issuance of subordinated loans	**7,226**	1,868	4,206
Repayments of subordinated loans	**–5,075**	–1,159	
Borrowed funds and debt securities 45	**16,021**	2,751	
Issuance of ordinary shares			–1,183
Dividends paid	**–1,800**	–701	–818
Net cash flow from financing activities	**16,372**	2,759	–89
Net cash flow 46	**–5,214**	–9,954	4,238
Cash and cash equivalents at beginning of year	**969**	10,318	6,076
Effect of exchange rate changes on cash and cash equivalents	**–107**	605	4
Cash and cash equivalents at end of year 47	**–4,352**	969	10,318

References relate to the notes starting on page 80 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 reserve	Reserves	Total share-holders' equity	Minority interests	Total
Balance as at 1 January 2004	525	6,839	8,168	15,532	555	16,087
Unrealised revaluations after taxation			211	211		211
Employee stock options and share plans			27	27		27
Exchange rate differences			–224	–224		–224
Other			–175	–175	–47	–222
Total amount recognised directly in equity			–161	–161	–47	–208
Net profit			2,482	2,482		2,482
			2,321	2,321	–47	2,274
Dividend			–818	–818		–818
Paid-in share premium		153		153		153
Repayment preference share premium reserve			–2,294	–2,294		–2,294
Balance as at 31 December 2004	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			266	266		266
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			483	483		483
Other			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
Dividend			–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			**–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**
Dividend			**–1,800**	**–1,800**		**–1,800**
Balance as at 31 December 2006	**525**	**6,992**	**13,781**	**21,298**	**1,204**	**22,502**

In 2006, deferred taxes for the year with regard to unrealised revaluations amounted to EUR 786 million (2005: EUR 153 million). For details on deferred tax see Note 15 Other liabilities.

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

Reserves include Revaluation reserve of EUR 2,295 million (2005: EUR 4,152 million; 2004: EUR 386 million), Currency translation reserve of EUR 42 million (2005: EUR 183 million; 2004: EUR –300 million) and Other reserves of EUR 11,444 million (2005: EUR 9,479 million; 2004: EUR 7,291 million). Changes in individual components are presented in Note 17 Shareholders' equity (parent).

In 2006, the amount included for Minority interests in Other relates mainly to the acquisition of Summit REIT. For details refer to Note 24 Principal subsidiaries and companies acquired/disposed.

For details on Implementation IAS 32/39 refer to section 'Changes in accounting policies'.

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 2006 were authorised for issue in accordance with a resolution of the Executive Board on 6 March 2007. 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 2.

BASIS OF PRESENTATION

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

Certain amendments to IAS 19 employee benefits became effective as of 1 January 2006. Also during the year several IFRIC interpretations became effective: IFRIC 4 Determining whether an arrangement contains a lease, IFRIC 8 Scope of IFRS 2 and IFRIC 9 Reassessment of embedded derivatives. None of these recent amendments and interpretations have had a material effect on equity or net profit. Recently issued standards that became effective after 1 January 2007 are not expected to have a material effect on equity or net profit. ING Bank has not early adopted any new International Financial Reporting Standard.

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 39 for the accounting period beginning on 1 January 2005. As a result the profit and loss account for 2004 is not directly comparable. For the accounting policies used in 2004 see section ‘Changes in accounting policies’ at the end of the ‘Accounting policies’ section.

CHANGES IN 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 in 2006 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation. None of the changes are significant in nature.

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

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

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. Market prices are obtained from traders, brokers and independent market vendors. 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, including Over-The-Counter (OTC) derivative instruments, no quoted market prices are available. For these financial assets and liabilities fair value is determined using valuation techniques. These valuation techniques consider, among other factors, contractual and market prices, correlations, time value of money, credit, yield curve volatility factors, and/or prepayment rates of the underlying positions. All valuation techniques used are approved by management. In addition, 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 financial assets and liabilities. Valuation techniques involve various assumptions regarding the underlying price, yield curve, correlations and many other 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, which applies to both exchange traded positions as well as OTC positions.

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 15 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-retirement 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 and companies acquired/disposed.

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.

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 the parent company.

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 euro, 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.

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

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.

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 closing rate.

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 value of financial instruments that are not traded in an active market (for example OTC derivatives) is 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.

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.

The 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.

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.

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.

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.

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.

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

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. 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.

Loans and advances to customers
Loans and advances to customers 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.

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.

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, Other borrowed funds 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 PROVISION
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 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.

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

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.

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 for third parties 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.

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.

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

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 amount included in 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 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 shall be 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.

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-retirement obligations

Some Bank companies provide post-retirement healthcare benefits to their retirees. 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.

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.

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

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. ING Bank generally provides equity-settled share-based payment transactions only.

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.

CHANGES IN ACCOUNTING POLICIES

ING Bank applies IFRS as adopted by the EU as of 2005. The 2004 comparatives have been restated to comply with IFRS-EU. However, as permitted by IFRS 1, ING Group has not restated the 2004 comparatives for the impact of IAS 32 and IAS 39. Accordingly, comparative information for 2004 with respect to financial instruments is prepared under ING Bank's previous accounting policies (Dutch GAAP).

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	
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 provision which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly for 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

	2006	2005
Amounts held at central banks	**10,511**	9,479
Cash and bank balances	**1,258**	1,239
	11,769	10,718

2 AMOUNTS DUE FROM BANKS

Amounts due from banks

	Netherlands		International		Total	
	2006	2005	2006	2005	2006	2005
Loans and advances to banks	**4,660**	2,805	**31,751**	24,072	**36,411**	26,877
Cash advances, overdrafts and other balances	**285**	2,174	**3,176**	18,422	**3,461**	20,596
	4,945	4,979	**34,927**	42,494	**39,872**	47,473
Loan loss provision			**–4**	–7	**–4**	–7
	4,945	4,979	**34,923**	42,487	**39,868**	47,466

Amounts due from banks as at 31 December 2006 included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 2,249 million (2005: EUR 7,738 million).

As at 31 December 2006, the non-subordinated receivables amounted to EUR 39,774 million (2005: EUR 47,406 million) and the subordinated receivables amounted to EUR 94 million (2005: EUR 60 million), and assets held under finance lease contracts amounted to EUR 277 million (2005: EUR 225 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

	2006	2005
Trading assets	**193,451**	149,787
Non-trading derivatives	**4,968**	5,780
Designated as at fair value through profit and loss	**5,220**	9,472
	203,639	165,039

The majority of financial assets included in Designated as at fair value through profit and loss are debt securities.

For the financial year 2006, the changes in fair value of loans designated as at fair value through profit and loss attributable to changes in credit risk of the borrower were insignificant.

Trading assets by type

	2006	2005
Equity securities	**14,199**	9,973
Debt securities	**38,282**	38,294
Derivatives	**22,513**	20,965
Loans and receivables	**118,457**	80,555
	193,451	149,787

As at 31 December 2006, the balance sheet value included equity securities which were lent or sold in repurchase transactions amounting to EUR 13 million (2005: nil) and nil (2005: nil), respectively. As at 31 December 2006, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 42 million (2005: EUR 67 million) and EUR 4,303 million (2005: EUR 1,653 million) respectively.

Non-trading derivatives

	2006	2005
Derivatives used in:		
– cash flow hedges	**2,675**	2,176
– fair value hedges	**1,047**	1,134
– hedges of net investments in foreign operations	**1**	30
Other non-trading derivatives	**1,245**	2,440
	4,968	5,780

4 INVESTMENTS

Investments by type

	2006	2005
Available-for-sale:		
– equity securities	**1,898**	2,147
– debt securities	**151,533**	159,052
	153,431	161,199
Held-to-maturity:		
– debt securities	**17,660**	18,937
	17,660	18,937
	171,091	180,136

The fair value of the securities classified as held-to-maturity amounts to EUR 17,494 million at 31 December 2006 (2005: EUR 19,466 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	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening balance	**2,147**	1,166	**159,052**	163,049	**18,937**		**180,136**	164,215
Implementation IAS 32/39		–30		–33,046		14,059		–19,017
Additions	**187**	537	**99,476**	93,528		1,030	**99,663**	95,095
Transfers	**–107**	277	**–103**	–5,871	**110**	4,010	**–100**	–1,584
Changes in the composition of the group	**–30**	–3	**–9,655**	1,382			**–9,685**	1,379
Change in unrealised revaluations	**143**	577	**–2,798**	–193			**–2,655**	384
Impairments	**–17**	–45					**–17**	–45
Disposals and redemptions	**–359**	–451	**–89,545**	–65,268	**–1,343**	–245	**–91,247**	–65,964
Exchange rate differences	**–66**	119	**–4,894**	5,471	**–44**	83	**–5,004**	5,673
Closing balance	**1,898**	2,147	**151,533**	159,052	**17,660**	18,937	**171,091**	180,136

Notes to the consolidated balance sheet of ING Bank continued

Available-for-sale equity securities – listed and unlisted

	2006	2005
Listed	**1,093**	1,238
Unlisted	**805**	909
	1,898	2,147

Revaluation of available-for-sale equity securities

	2006	2005
Cost	**1,184**	1,414
Gross unrealised gains	**745**	757
Gross unrealised losses	**–31**	–24
	1,898	2,147

Revaluation of available-for-sale debt securities

	2006	2005
Cost	**151,456**	155,757
Gross unrealised gains	**1,154**	3,829
Gross unrealised losses	**–1,077**	–534
	151,533	159,052

As at 31 December 2006, the balance sheet value included equity securities which were lent in repurchase transactions amounting to nil (2005: nil). As at 31 December 2006, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 1,324 million and EUR 35,358 million respectively (2005: nil and EUR 37,181 million).

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 460 million as at 31 December 2006 (2005: EUR 3,295 million).

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers analysed by type

	Netherlands		International		Total	
	2006	2005	2006	2005	2006	2005
Loans to or guaranteed by public authorities	**16,450**	13,907	**9,503**	17,535	**25,953**	31,442
Loans secured by mortgages	**120,753**	111,257	**87,457**	69,855	**208,210**	181,112
Loans guaranteed by credit institutions	**2,087**	1,448	**321**	378	**2,408**	1,826
Other personal lending	**6,484**	9,942	**16,422**	15,200	**22,906**	25,142
Other corporate loans	**91,384**	82,368	**89,551**	84,475	**180,935**	166,843
	237,158	218,922	**203,254**	187,443	**440,412**	406,365
Loan loss provision	**–733**	–916	**–1,905**	–2,390	**–2,638**	–3,306
	236,425	218,006	**201,349**	185,053	**437,774**	403,059

Loans and advances to customers analysed by subordination

	2006	2005
Non-subordinated	**437,249**	402,747
Subordinated	**525**	312
	437,774	403,059

As at 31 December 2006, 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 1,554 million (2005: EUR 6,684 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

	2006	2005
Maturities of gross investment in finance lease receivables:		
– within 1 year	4,641	4,230
– more than 1 year but less than 5 years	8,061	7,355
– more than 5 years	3,346	2,654
	16,048	14,239
Unearned future finance income on finance leases	–2,684	–2,022
Net investment in finance leases	13,364	12,217
Maturities of net investment in finance lease receivables:		
– within 1 year	3,943	3,727
– more than 1 year but less than 5 years	6,813	6,163
– more than 5 years	2,608	2,327
	13,364	12,217
Included in:		
– Amounts due from banks	277	225
– Loans and advances to customers	13,087	11,992
	13,364	12,217

The allowance for uncollectible finance lease receivables included in the loan loss provision amounted to EUR 47 million at 31 December 2006 (2005: EUR 45 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 provision analysed by type

	Netherlands		International		Total	
	2006	2005	2006	2005	2006	2005
Loans secured by public authorities		1	2	2	2	3
Loans secured by mortgages	96	93	177	273	273	366
Loans guaranteed by credit institutions			6	13	6	13
Other personal lending	357	230	408	408	765	638
Other corporate loans	280	592	1,316	1,701	1,596	2,293
	733	916	1,909	2,397	2,642	3,313

Notes to the consolidated balance sheet of ING Bank continued

Changes in the loan loss provision

	2006	2005
Opening balance	3,313	4,456
Implementation IAS 32/39		–592
Changes in the composition of the group	–101	–4
Write-offs	–691	–842
Recoveries	86	61
Increase in loan loss provision	103	88
Exchange rate differences	–67	115
Other changes	–1	31
Closing balance	2,642	3,313
Included in:		
– Amounts due from banks	4	7
– Loans and advances to customers	2,638	3,306
	2,642	3,313

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2006	Interest held (%)	Fair value of listed asso-ciates	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
Gables RE Trust - Permanent/Bridge equity	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				

Accumulated impairments have been recognised of EUR 3 million (2005: EUR 4 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.

Investments in associates

2005	Interest held (%)	Fair value of listed associates	Balance sheet value	Total assets	Total liabilities	Total income	Total expense
Lion Properties Fund	8		147	2,427	590	245	49
Lion Industrial Trust	12		144	2,583	1,231	281	98
ING Industrial Fund Australia	13	152	133	1,192	349	119	24
Gables RE Trust - Permanent/Bridge equity	18		131	2,539	1,750	190	51
ING Retail Property Fund Australia	30		122	724	312	50	22
ING Korea Property Investments	51		89	368	223	23	6
ING Office Fund Australia	7	62	61	1,300	538	115	28
Other investments in associates			361				
			1,188				

Changes in associates

	2006	2005
Opening balance	**1,188**	940
Additions	**274**	364
Changes in the composition of the group	**–1**	43
Transfers to and from Investments	**56**	49
Revaluations	**32**	
Share of results	**180**	140
Dividends received	**–48**	–43
Disposals	**–369**	–398
Impairments	**–3**	
Exchange rate differences	**–80**	101
Other changes	**–6**	–8
Closing balance	**1,223**	1,188

7 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2006	2005
Opening balance	**1,745**	2,092
Additions	**288**	109
Changes in the composition of the group	**2,132**	–226
Transfers to and from Other assets	**–198**	196
Fair value gains/(losses)	**68**	59
Disposals	**–311**	–651
Exchange rate differences	**–59**	166
Closing balance	**3,665**	1,745

The total amount of rental income recognised in profit or loss for the year ended 31 December 2006 was EUR 169 million (2005: EUR 80 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2006 was nil (2005: 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 2006 was EUR 97 million (2005: EUR 45 million). The total

Notes to the consolidated balance sheet of ING Bank continued

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 2006 was EUR 9 million (2005: EUR 6 million).

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

year of appraisal	
2006	**88**
2005	**12**
2004	**0**
2003	**0**
2002	**0**
	100

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2006	2005
Property in own use	**1,341**	1,460
Equipment	**954**	994
Assets subject to operating leases	**2,685**	2,170
	4,980	4,624

Changes in property in own use

	2006	2005
Opening balance	**1,460**	1,380
Additions	**61**	38
Changes in the composition of the group	**–12**	1
Transfers to/from Real estate investments	**4**	
Depreciation	**–53**	–54
Revaluations	**69**	210
Impairments	**–3**	–13
Reversal of impairments	**7**	27
Disposals	**–185**	–149
Exchange rate differences	**–7**	13
Other changes		7
Closing balance	**1,341**	1,460
Gross carrying amount as at 31 December	**2,105**	2,189
Accumulated depreciation as at 31 December	**–636**	–606
Accumulated impairment as at 31 December	**–128**	–123
Net book value	**1,341**	1,460
Revaluation surplus:		
Opening balance	**523**	313
Revaluation in year	**37**	210
Closing balance	**560**	523

The cost or purchase price amounted to EUR 781 million (2005: EUR 1,667 million). Cost less accumulated depreciation would have been EUR 908 million (2005: EUR 1,061 million).

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

year of appraisal	
2006	**31**
2005	**38**
2004	**6**
2003	**11**
2002	**14**
	100

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2006	2005	**2006**	2005	**2006**	2005
Opening balance	**257**	274	**737**	706	**994**	980
Additions	**123**	153	**175**	207	**298**	360
Changes in the composition of the group	**–7**	–7	**1**	–16	**–6**	–23
Disposals	**–5**	–6	**–20**	–24	**–25**	–30
Depreciation	**–145**	–160	**–163**	–162	**–308**	–322
Exchange rate differences	**–3**	5	**–6**	14	**–9**	19
Other changes	**11**	–2	**–1**	12	**10**	10
Closing balance	**231**	257	**723**	737	**954**	994
Gross carrying amount as at 31 December	**1,229**	1,235	**2,136**	2,094	**3,365**	3,329
Accumulated depreciation as at 31 December	**–998**	–978	**–1,413**	–1,357	**–2,411**	–2,335
Net book value	**231**	257	**723**	737	**954**	994

Changes in assets under operating leases

	Cars		Other leased-out assets		Total	
	2006	2005	**2006**	2005	**2006**	2005
Opening balance	**2,116**	2,060	**54**	41	**2,170**	2,101
Additions	**1,146**	990	**18**		**1,164**	990
Changes in the composition of the group	**417**		**–46**	22	**371**	22
Disposals	**–400**	–392	**–2**		**–402**	–392
Depreciation	**–617**	–549	**–10**	–9	**–627**	–558
Exchange rate differences	**9**	4			**9**	4
Other changes		3				3
Closing balance	**2,671**	2,116	**14**	54	**2,685**	2,170
Gross carrying amount as at 31 December	**3,938**	3,070	**39**	98	**3,977**	3,168
Accumulated depreciation as at 31 December	**–1,267**	–954	**–25**	–44	**–1,292**	–998
Net book value	**2,671**	2,116	**14**	54	**2,685**	2,170

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:

Notes to the consolidated balance sheet of ING Bank continued

Future minimum lease payments by maturity

	2006	2005
Within 1 year	**926**	664
More than 1 year but less than 5 years	**1,754**	1,505
More than 5 years	**5**	1
	2,685	2,170

9 INTANGIBLE ASSETS

Changes in intangible assets

	Goodwill		Software		Other		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Opening balance	**77**	42	**212**	216	**2**		**291**	258
Additions	**65**	53	**112**	100	**19**	10	**196**	163
Disposals	**–5**	–12	**–11**	–9		–1	**–16**	–22
Amortisation			**–100**	–100	**–1**		**–101**	–100
Changes in the composition of the group		–7	**2**		**15**		**17**	–7
Exchange rate differences	**1**		**–1**	5				5
Other changes	**–2**	1				–7	**–2**	–6
Closing balance	**136**	77	**214**	212	**35**	2	**385**	291
Gross carrying amount as at 31 December	**136**	77	**561**	459	**36**	2	**733**	538
Accumulated amortisation as at 31 December			**–347**	–247	**–1**		**–348**	–247
Net book value	**136**	77	**214**	212	**35**	2	**385**	291

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

10 OTHER ASSETS

Other assets by type

	2006	2005
Deferred tax assets	**1,753**	1,959
Property held for sale	**2,232**	1,875
Property under development for third parties		20
Income tax receivable	**1,066**	543
Accrued interest and rents	**11,460**	10,716
Other accrued assets	**764**	760
Pension assets	**251**	
Other receivables	**3,065**	3,896
	20,591	19,769

Disclosures in respect of deferred tax assets and pension assets are provided in Note 15 Other liabilities.

The total amount of borrowing costs relating to property under development for third parties capitalised in 2006 is nil (2005: nil).

Property held for sale

	2006	2005
Property held for sale	356	482
Other:		
– property obtained from foreclosures	58	50
– property developed for sale	1,818	1,343
	2,232	1,875
Gross carrying amount as at 31 December	2,317	1,943
Accumulated impairments as at 31 December	–85	–68
Net book value	2,232	1,875

Notes to the consolidated balance sheet of ING Bank continued

LIABILITIES

11 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 2006, liabilities concerning securities sold in repurchase transactions amounted to EUR 23,627 million (2005: EUR 23,857 million).

Amounts due to banks by type

	Netherlands		International		Total	
	2006	2005	**2006**	2005	**2006**	2005
Non-interest bearing	**2,696**	2,535	**1,035**	1,934	**3,731**	4,469
Interest bearing	**52,817**	33,714	**64,291**	84,051	**117,108**	117,765
	55,513	36,249	**65,326**	85,985	**120,839**	122,234

12 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2006	2005
Savings accounts	**283,148**	269,387
Credit balances on customer accounts	**148,270**	127,960
Corporate time deposits	**62,628**	57,655
Other	**2,729**	11,152
	496,775	466,154

Customer deposits and other funds on deposit by type

	Netherlands		International		Total	
	2006	2005	**2006**	2005	**2006**	2005
Non-interest bearing	**14,047**	13,753	**2,967**	1,360	**17,014**	15,113
Interest bearing	**181,251**	157,951	**298,510**	293,090	**479,761**	451,041
	195,298	171,704	**301,477**	294,450	**496,775**	466,154

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 2006, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 870 million (2005: EUR 2,104 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.

13 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

	2006	2005
Trading liabilities	**127,925**	92,057
Non-trading derivatives	**4,296**	5,593
Designated as at fair value through profit and loss	**13,702**	11,562
	145,923	109,212

The nominal amounts of liabilities designated as at fair value through profit and loss approximate the fair value.

Financial liabilities designated as at fair value through profit and loss relates to debt securities in issue, funds entrusted and structured products.

For the financial year 2006 the changes in fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk of ING Bank are insignificant.

Trading liabilities by type

	2006	2005
Equity securities	**20,691**	10,206
Debt securities	**9,045**	7,264
Funds on deposit	**77,245**	54,263
Derivatives	**20,944**	20,324
	127,925	92,057

Non-trading derivatives

	2006	2005
Derivatives used in:		
– cash flow hedges	**1,407**	677
– fair value hedges	**595**	1,315
– hedges of net investments in foreign operations	**4**	91
Other non-trading derivatives	**2,290**	3,510
	4,296	5,593

14 DEBT SECURITIES IN ISSUE

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

Debt securities in issue - maturities

	2006	2005
Fixed rate debt securities		
Within 1 year	**48,166**	38,980
More than 1 year but less than 2 years	**1,475**	2,726
More than 2 years but less than 3 years	**2,261**	1,741
More than 3 years but less than 4 years	**1,824**	2,248
More than 4 years but less than 5 years	**441**	10,024
More than 5 years	**1,154**	7,296
Total fixed rate debt securities	**55,321**	63,015
Floating rate debt securities		
Within 1 year	**4,637**	4,115
More than 1 year but less than 2 years	**238**	416
More than 2 years but less than 3 years	**413**	144
More than 3 years but less than 4 years	**1,086**	494
More than 4 years but less than 5 years	**1,865**	1,064
More than 5 years	**3,904**	4,047
Total floating rate debt securities	**12,143**	10,280
Total debt securities	**67,464**	73,295

Notes to the consolidated balance sheet of ING Bank continued

As of 31 December 2006, ING Bank had unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue, totalling EUR 28,728 million (2005: EUR 22,588 million).

15 OTHER LIABILITIES

Other liabilities by type

	2006	2005
Deferred tax liabilities	**2,238**	2,397
Income tax payable	**651**	994
Pension liabilities and other staff-related liabilities	**1,048**	1,257
Other taxation and social security contributions	**850**	376
Accrued interest	**9,398**	9,660
Costs payable	**1,416**	1,466
Other provisions	**698**	761
Other	**7,110**	5,635
	23,409	22,546

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 2006 Other liabilities includes an amount of EUR 7.91 (2005: EUR 7.91) for seven preference shares with a par value of EUR 1.13 each.

Deferred tax by origin

	2006	2005
Investments	**187**	1,544
Financial assets and liabilities at fair value through profit and loss	**86**	37
Depreciation	**34**	65
Other provisions	**–182**	–356
Receivables	**74**	66
Loans and advances to customers	**100**	–104
Cash flow hedges	**334**	503
Other	**336**	–136
Pensions	**5**	–498
Unused tax losses carried forward	**–489**	–683
	485	438
Comprising:		
– deferred tax liabilities	**2,238**	2,397
– deferred tax assets	**1,753**	1,959
	485	438

Changes in deferred tax

	2006	2005
Opening balance	438	644
Changes in the composition of the group	58	–4
Changes through profit and loss	170	–131
Changes through equity	–786	60
Exchange rate differences	31	–18
Other	574	–113
Closing balance	485	438

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, and nil relating to stock options plans. 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.

Included in Other in 2005 is EUR 1,406 million relating to the introduction of IAS 32/39.

Deferred tax in connection with unused tax losses carried forward

	2006	2005
Total unused tax losses carried forward	2,340	3,225
Unused tax losses carried forward not recognised as a deferred tax asset	553	856
Unused tax losses carried forward recognised as a deferred tax asset	1,787	2,369
Average tax rate	27.4%	28.8%
Deferred tax asset	489	683

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	
	2006	2005	2006	2005
Within 1 year			16	
More than 1 year but less than 5 years	116	28	366	308
More than 5 years but less than 10 years	47		47	48
More than 10 years but less than 20 years		322	337	640
Unlimited	390	506	1,021	1,373
	553	856	1,787	2,369

Notes to the consolidated balance sheet of ING Bank continued

Changes in other provisions

	Reorganisations and relocations		Other		Total	
	2006	2005	**2006**	2005	**2006**	2005
Opening balance	**287**	209	**474**	319	**761**	528
Changes in the composition of the group	**–4**	–8	**6**	–4	**2**	–12
Additions	**82**	106	**150**	302	**232**	408
Interest	**3**				**3**	
Releases	**–19**	–20			**–19**	–20
Charges	**–162**	–79	**–129**	–149	**–291**	–228
Exchange rate differences		5	**–1**	10	**–1**	15
Other changes	**101**	74	**–90**	–4	**11**	70
Closing balance	**288**	287	**410**	474	**698**	761

The provision for reorganisations and relocations at 31 December 2006 includes a EUR 38 million redundancy provision for Operations & IT activities.

In general, the reorganisations and relocations provisions are of a short-term nature.

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

Pension liabilities and other staff-related 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 and post-retirement employee benefits to certain employees and former employees. These are primarily post-retirement 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 liabilities and other staff-related liabilities

	Pension benefits		Post-retirement benefits other than pensions		Other		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Defined benefit obligation	**10,061**	9,872	**63**	194	**231**	830	**10,355**	10,896
Fair value of plan assets	**9,298**	8,253				375	**9,298**	8,628
	763	1,619	**63**	194	**231**	455	**1,057**	2,268
Unrecognised past service costs			**2**				**2**	
Unrecognised actuarial gains/(losses)	**–262**	–998		–13			**–262**	–1,011
	501	621	**65**	181	**231**	455	**797**	1,257
Presented as:								
– Other liabilities	**752**	621	**65**	181	**231**	455	**1,048**	1,257
– Other assets	**251**						**251**	
	501	621	**65**	181	**231**	455	**797**	1,257

Actuarial gains and losses for pension liabilities for the year ended 31 December 2006 includes EUR 278 million experience loss adjustments for assets and 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 other changes in the tables below.

Changes in defined benefit obligation

	Pension benefits		Post-retirement benefits other than pensions	
	2006	2005	**2006**	2005
Opening balance	**9,872**	8,074	**194**	377
Current service cost	**257**	300	**1**	27
Interest cost	**452**	393	**3**	22
Participants contributions	**1**	5		70
Benefits paid	**–296**	–223		–6
Actuarial gains and losses	**–1,013**	1,182	**–13**	93
Past service cost	**18**	136	**–1**	
Changes in the composition of the group and other changes	**765**	14	**–34**	
Effect of curtailment or settlement	**–6**	–11	**–87**	–390
Exchange rate differences	**11**	2		1
Closing balance	**10,061**	9,872	**63**	194
Relating to:				
– funded plans	**10,005**	9,798		
– unfunded plans	**56**	74	**63**	194
	10,061	9,872	**63**	194

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 2007 are nil and nil.

Notes to the consolidated balance sheet of ING Bank continued

Changes in fair value of plan assets

	Pension benefits	
	2006	2005
Opening balance	**8,253**	6,316
Expected return on plan assets	**530**	443
Employer's contribution	**519**	806
Participants contributions	**2**	4
Benefits paid	**–283**	–223
Actuarial gains and losses	**–278**	904
Changes in the composition of the group and other changes	**540**	3
Exchange rate differences	**15**	
Closing balance	**9,298**	8,253

The actual return on the plan assets amounted to EUR 225 million (2005: EUR 1,347 million; 2004: EUR 576 million).

It is not expected that any plan assets will be returned to ING Bank during 2007.

Pension Investment Strategy
The primary financial objective of the ING Employee Benefit Plan (the Plan) is to secure participant retirement benefits. As such, the key objective in the Plan's 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 Plan's portfolio of assets (the Fund) 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 Fund in an effort to accomplish the Plan's funding objectives. Desirable target allocations amongst identified asset classes are set and within each asset class, careful consideration is given to balancing the portfolio 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. ING will review its asset mix of the fund on a regular basis. Generally, ING will rebalance the fund's asset mix to the target mix 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	
	2007	**2006**	2005	**2006**	2005
Equity securities	**35**	**36**	34	**8.0**	8.0
Debt securities	**52**	**52**	55	**5.0**	5.0
Other	**13**	**12**	11	**7.0**	7.0
	100	**100**	100	**6.0**	6.0

Equity securities include ING Groep N.V. ordinary shares of EUR 9 million (0.1% of total plan assets) at 31 December 2006 (2005: EUR 10 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 Plan's asset allocation, historical returns on the types of assets held in the Fund, and the current economic environment. Based on these factors, it is expected that the Fund's 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 Fund. For estimation purposes, it is assumed the long term asset mix will be consistent with the current mix. Changes in the asset mix 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

in percentage	Pension benefits 2006	Pension benefits 2005	Post-retirement benefits other than pensions 2006	Post-retirement benefits other than pensions 2005
Discount rates	**4.70**	4.00	**4.70**	4.00
Expected rates of salary increases (excluding promotion increases)	**2.75**	2.50	**2.75**	2.50
Medical cost trend rates			**7.25**	4.00
Consumer price inflation	**2.00**	1.75	**2.00**	1.75

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 3 million at 31 December 2006 (2005: EUR 50 million) and an increase in the charge for the year of EUR 0.4 million (2005: EUR 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 2006 (2005: EUR 37 million) and a decrease in the charge for the year of EUR 0.3 million (2005: EUR 3 million).

Expected Cash Flows
During 2007 the expected contributions to pension plans are EUR 470 million.

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

Benefit payments

	Pension benefits
2007	**316**
2008	**354**
2009	**394**
2010	**359**
2011	**385**
Years 2012-2016	**2,271**

16 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 5,726 million (2005: EUR 5,764 million) of loans that qualify as Tier-1 capital. These loans have been placed with ING Bank N.V. by ING Group. If the solvency ratio decreases below 8%, EUR 5,726 million of these subordinated loans will be converted into equity.

The average interest rate on the subordinated loans is 5.9% (2005: 5.9%). The interest expense during the year 2006 was EUR 1,011 million (2005: EUR 1,073 million).

Notes to the consolidated balance sheet of ING Bank continued

EQUITY

17 SHAREHOLDERS' EQUITY (PARENT)

Shareholders' equity (parent)

	2006	2005	2004
Share capital	**525**	525	525
Share premium	**6,992**	6,992	6,992
Revaluation reserve	**2,295**	4,152	386
Currency translation reserve	**42**	183	–300
Other reserves	**11,444**	9,479	7,291
Shareholders' equity (parent)	**21,298**	21,331	14,894

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

As at 31 December 2006, Other reserves included an amounted of EUR 566 million (2005: EUR 583 million) relating to the former Stichting Regio Bank that cannot be freely distributed. The decrease reflects the loss for the year.

Share capital

	Preference shares (par value EUR 1.13)				Ordinary shares (par value EUR 1.13)			
	Number x 1		Amount in euros		Number x 1,000		Amount	
	2006	2005	2006	2005	2006	2005	2006	2005
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 2006 and 2005.

Preference shares are presented in the balance sheet under liabilities. Reference is made to Note 15 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 2006 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.

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	**24**	**–1,274**	**–423**	**–1,673**
Realised gains/losses transferred to profit and loss		**–184**		**–184**
Other changes	**–1**		**1**	
	385	**1,255**	**655**	**2,295**

Revaluation reserve

	Property revaluation reserve	Available for sale reserve	Cash flow hedge reserve	Total 2005	Total 2004
Opening balance	322	64		386	175
Implementation IAS 32/39		2,570	839	3,409	
Unrealised revaluations	40	226	238	504	211
Realised gains/losses transferred to profit and loss		–147		–147	
	362	2,713	1,077	4,152	386

Currency translation reserve

	2006	2005	2004
Opening balance	**183**	–300	
Unrealised revaluations after tax	**119**	–526	–76
Exchange rate differences	**–260**	1,009	–224
Closing balance	**42**	183	–300

Other reserves

2006	Retained earnings	Share of associates	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**
Other	**14**	**–2**			**12**
Closing balance	**10,833**	**45**		**566**	**11,444**

Other reserves

	Retained earnings	Share of associates	Treasury shares	Other reserves	Total 2005	Total 2004
Opening balance	6,636	103		552	7,291	7,993
Implementation IAS 32/39	–1,107				–1,107	
Profit for the year	3,921			29	3,950	2,482
Share and option plans						27
Dividend	–701				–701	–818
Other	100	–56		2	46	–2,393
Closing balance	8,849	47		583	9,479	7,291

Additional information relating 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

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 (2)						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) (1)						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 (2)						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) Included in remaining assets where maturities are not applicable are:
- Property and equipment
- Real estate investments
- Investments in associates.

(2) 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.

Disclosures about the bank’s exposure to interest rate risk are presented in the ‘Risk management’ section. Those sensitivity disclosures are included instead of disclosures on reprising dates and effective interest rates, as those sensitivity disclosures better reflect the Bank’s exposure to interest rate risk in line with the Bank’s risk management procedures.

Assets and liabilities by contractual maturity

2005	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	10,718						10,718
Amounts due from banks	20,790	5,964	5,138	9,949	5,625		47,466
Financial assets at fair value through profit and loss							
– trading assets [2]						149,787	149,787
– non-trading derivatives	120	139	173	1,547	3,801		5,780
– designated as at fair value through profit and loss	107	309	1,184	2,909	4,963		9,472
Investments:							
– available-for-sale	4,086	2,674	8,392	54,830	89,071	2,146	161,199
– held-to-maturity	455	77	875	6,548	10,982		18,937
Loans and advances to customers	88,974	13,882	22,081	67,067	211,055		403,059
Intangible assets			71	143		77	291
Other assets	9,255	1,721	5,100	2,700	993		19,769
Remaining assets (where maturities are not applicable) [1]						7,557	7,557
Total assets	134,505	24,766	43,014	145,693	326,490	159,567	834,035
LIABILITIES							
Amounts due to banks	78,827	21,883	15,623	4,317	1,584		122,234
Customer deposits and other funds on deposit	443,281	6,963	2,658	5,860	7,392		466,154
Financial liabilities at fair value through profit and loss							
– trading liabilities [2]						92,057	92,057
– non-trading derivatives	123	151	1,565	1,292	2,462		5,593
– designated as at fair value through profit and loss	112	510	1,538	5,072	4,330		11,562
Debt securities in issue	18,933	15,580	8,580	18,858	11,344		73,295
Other liabilities	6,523	2,412	6,679	4,652	2,280		22,546
Subordinated loans	41	375	594	4,375	13,396		18,781
Total liabilities	547,840	47,874	37,237	44,426	42,788	92,057	812,222

[1] Included in remaining assets where maturities are not applicable are:
– Property and equipment
– Real estate investments
– Investments in associates
– Intangible assets
– Other assets.

[2] 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.

19 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the section ‘Risk management’, 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.

Additional information to the consolidated balance sheet of ING Bank continued

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

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

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amounts of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; 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. No material level of hedge accounting is applied in relation to credit derivatives. These credit derivatives did not result in a significant reduction in ING Bank's exposure to credit risk as at 31 December 2006 or 31 December 2005.

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, on the net accounting ineffectiveness impacts the net profit.

For the year ended 31 December 2006, ING Bank recognised in the profit and loss account EUR 203 million (2005: EUR –425 million) of fair value changes on derivatives designated under fair value hedge accounting. This amount was offset by EUR 234 million (2005: EUR –421 million) fair value changes recognised on hedged items. This resulted in EUR 31 million net accounting ineffectiveness recognised in the profit and loss account. At 31 December 2006, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR 452 million positive (2005: EUR 181 million negative), presented in the balance sheet as EUR 1,047 million (2005: EUR 1,134 million) positive fair values under assets and EUR 595 million (2005: EUR 1,315 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 2006, ING Bank recognised EUR –422 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 2006 was EUR 990 million (2005: EUR 1,580 million) gross and EUR 655 million (2005: EUR 1,077 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 21 years, with the largest concentration in the range of 5 years to 10 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting of EUR 7 million (2005: EUR 1 million) was recognised in the profit and loss account.

At 31 December 2006, the fair values of outstanding derivatives designated under cash flow hedge accounting was EUR 1,268 million positive (2005: EUR 1,499 million positive), presented in the balance sheet as EUR 2,675 million (2005: EUR 2,176 million) positive fair values under assets and EUR 1,407 million (2005: EUR 677 million) negative fair values under liabilities.

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 2006, the fair values of outstanding derivatives designated under net investment hedge accounting was EUR 3 million negative (2005: EUR 61 million negative), presented in the balance sheet as EUR 1 million (2005: EUR 30 million) positive fair values under assets and EUR 4 million (2005: EUR 91 million negative) negative fair values under liabilities.

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2006 on derivatives designated under net investment hedge accounting was nil (2005: nil).

Additional information to the consolidated balance sheet of ING Bank continued

20 MAXIMUM CREDIT EXPOSURE

ING's maximum credit exposure as at 31 December 2006 and 2005 is represented as follows:

Maximum credit exposure

	2006	2005
Cash and balances with central banks	**11,769**	10,718
Amounts due from banks:		
– loans and advances to banks	**36,407**	26,870
– cash advances, overdrafts and other balances	**3,461**	20,596
Trading assets:		
– debt securities	**38,282**	38,294
– loans and receivables	**118,457**	80,555
– derivatives	**22,513**	20,965
Non-trading derivatives	**4,968**	5,780
Designated as at fair value through profit and loss	**5,220**	9,472
Available-for-sale debt securities	**151,533**	159,052
Held-to-maturity debt securities	**17,660**	18,937
Loans and advances to customers:		
– public authorities	**25,951**	31,439
– secured by mortgages	**207,939**	180,746
– guaranteed by credit institutions	**2,402**	1,813
– other personal lending	**22,141**	25,504
– other corporate lending	**179,339**	164,550
Other receivables	**3,065**	3,896
Maximum credit exposure on balance sheet	**851,107**	799,187
Off-balance sheet credit commitments		
– discounted bills - bank	**3**	5
– guarantees - bank	**17,297**	15,925
– irrevocable letters of credit - bank	**8,456**	7,436
– other - bank	**623**	396
– irrevocable facilities	**90,384**	85,098
Maximum credit exposure off-balance sheet	**116,763**	108,860
Maximum credit exposure	**967,870**	908,047

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.

21 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable primarily consist of interest bearing securities pledged to secure deposits from 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		Guarantees for off-balance sheet items		Other contingent liabilities		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Investments	**2,686**	3,533	**4,483**	4,245					**7,169**	7,778
Lending	**548**	1,101	**2**	1	**96**	116			**646**	1,218
Banks	**8**	328	**1,100**	899	**4**	375	**3**		**1,115**	1,602
Other assets	**3,700**	1,712	**1,016**	912	**532**	328		84	**5,248**	3,036
	6,942	6,674	**6,601**	6,057	**632**	819	**3**	84	**14,178**	13,634

ING Bank N.V. has an obligation to maintain a reserve with an average monthly balance with De Nederlandsche Bank (the Dutch Central Bank). In December 2006 the required monthly average was EUR 5,295 million (2005: EUR 3,747 million). On 31 December 2006 the balance on this reserve was EUR 4,706 million (2005: EUR 4,054 million).

There are no material terms and conditions relating to the collateral represented in the above table.

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

	2006	2005
Discounted bills	**3**	5
Guarantees	**17,296**	15,925
Irrevocable letters of credit	**8,456**	7,436
Other	**623**	396
	26,378	23,762
Irrevocable facilities	**90,385**	85,098
	116,763	108,860

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 mainly relate to acceptances of bills and are of a short-term nature.

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

Additional information to the consolidated balance sheet of ING Bank continued

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

2007	**151**
2008	**160**
2009	**155**
2010	**147**
2011	**142**
Years after 2011	**244**

23 SPECIAL PURPOSE ENTITIES (SPE'S) 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 (SPE's), in relation to which ING Bank purchases credit protection in respect of residential mortgage loans and loans to small and medium-sized enterprises. The SPE's 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.

Securitised own assets

	2006	2005
Loans to small and medium-sized enterprises	**8,859**	4,491
Asset backed securities	**7,126**	7,433
Corporate loans	**4,851**	5,594
Mortgages	**7,978**	4,397
Total	**28,814**	21,915

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. As ING Bank has no ownership or controlling interest in the SPE, nor does it service the transferred asset, the SPE is not consolidated.

ING Bank supports the commercial paper programs 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 programs 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, SPE's 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. In these transactions ING Bank often has different roles:

– the arranger of the transaction; ING Bank structures the SPE, acquires the assets for the SPE and sells the CDOs to investors;
– collateral manager of the assets in the SPE; ING Bank manages the assets based on strict conditions of the SPE's charter;
– investor.

ING Bank receives market-rate fees for structuring, (asset) managing and distributing CDO-securities to investors.

ING Bank as investor
As part of its investment activities ING Bank invests in securitisations by purchasing notes from securitisation SPE's. 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.

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.

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

24 PRINCIPAL SUBSIDIARIES AND COMPANIES ACQUIRED/DISPOSED
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 Top Holding B.V.	The Netherlands
ING Corporate Investments B.V.	The Netherlands
ING Trust (Nederland) 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
Stichting Regio Bank	The Netherlands
Westland Utrecht Hypotheekbank N.V.	The Netherlands
ING België N.V.	Belgium
ING Bank Slaski S.A. Katowicach	Poland
ING Bank Deutschland A.G.	Germany
ING Financial Holdings Corporation	U.S.A.
ING Trust (Antilles) N.V.	Netherlands Antilles
ING Middenbank Curaçao N.V.	Netherlands Antilles
ING Vysya Bank Ltd.	India
ING Direct N.V.	Canada, Germany, Spain, Australia, France, USA, Italy, UK

Additional information to the consolidated balance sheet of ING Bank continued

Companies acquired in 2006

amounts in millions of euros	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		54		54
Profit since date of acquisition	11	1	8	20
Revenue if acquisition effected at start of year	16	33	131	180

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.

Companies disposed in 2006

amounts in millions of euros	Williams de Broë	Deutsche Hypo-theken-bank	Degussa Bank	Total disposals
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 AG, 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.

Additional information to the consolidated balance sheet of ING Bank continued

Companies acquired or disposed of in 2005

amounts in millions of euros	Total acqui-sitions	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
Minority interests		
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 NV from Dexia Bank Belgium. In the course of 2006, Eural is expected to be merged with ING Belgium’s unit Record Bank.

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

Companies acquired or disposed of in 2004

amounts in millions of euros	Total acqui-sitions	Total disposals
PURCHASE PRICE		
Purchase price	1,896	875
Cash outflow / inflow on acquisition / disposal	1,896	875
ASSETS		
Investments	2,926	5,342
Loans and advances to customers	596	9,356
Miscellaneous other assets	2,196	4,706
	5,718	19,404
LIABILITIES		
Amounts due to banks		5,315
Customer deposits and other funds on deposit	3,759	10,976
Miscellaneous other liabilities	63	1,158
	3,822	17,449
Net assets	1,896	1,955
Minority interests		
Net assets acquired	1,896	1,955

In 2004, ING Bank sold most of the German banking units of ING BHF-Bank. The transaction includes ING BHF-Bank's asset management, private banking, financial markets and core corporate banking business. The value of the transaction amounted to EUR 600 million.

In 2004, ING Bank acquired the Dutch real estate fund Rodamco Asia. As a result, the fund was delisted from Euronext in Amsterdam in 2004 and from the Frankfurt Stock Exchange in 2005. The goodwill amounted to EUR 22 million.

In 2004, ING Bank sold its 100% subsidiary CenE Bankiers to Van Lanschot. CenE Bankiers specialises in commercial and private banking in the Netherlands. The value of the transaction amounted to EUR 250 million.

In 2004, ING Bank acquired Mercator Bank, a Belgium medium-sized savings bank. The negative goodwill amounted to EUR 26 million and was recognised as income in the profit and loss account.

In 2004, ING Bank sold its Asian cash equities business to Macquarie Bank. The cash equities business comprises sales, trading, research and equity capital markets operations.

25 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.

26 DIVIDEND RESTRICTIONS

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

The management of ING Bank does not believe that these limitations will affect the ability of ING Bank to pay dividends to its shareholders in the future.

Additional information to the consolidated balance sheet of ING Bank continued

27 JOINT VENTURES

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

Most significant joint ventures

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

Most significant joint ventures

2005	Interest held (%)	Assets	Liabilities	Income	Expenses
Postkantoren B.V.	50	169	132	241	238
ROW vof	50	13	1	6	1
		182	133	247	239

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.

Transactions with joint ventures and associates

	Joint ventures		Associates	
	2006	2005	**2006**	2005
Receivables	**147**	193	**655**	340
Liabilities	**85**	99	**46**	35
Guarantees issued in favour of			**4**	3
Expenses paid	**64**	71	**1**	1
Income received	**6**	7	**128**	90

Transactions with key management personnel (Executive Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in Note 15 Other liabilities and Note 38 Staff 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. These transactions also take place on an arm's length basis.

Transactions with ING Groep N.V. and ING Verzekeringen N.V.

	ING Groep N.V.		ING Verzekeringen N.V.	
	2006	2005	**2006**	2005
Receivables	**121**	496	**1,520**	3,861
Liabilities	**6,190**	6,257	**283**	435
Expenses paid	**367**	72	**68**	37
Income received	**33**	97	**180**	219

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 15 Other liabilities.

Key management personnel compensation

amounts in thousands of euros	Executive Board 2006	Executive Board 2005	Supervisory Board 2006	Supervisory Board 2005	Total 2006	Total 2005
Base salary and short-term bonus	**18,250**	12,514	**578**	549	**18,828**	13,063
Pension costs	**7,195**	3,088			**7,195**	3,088
Fair market value of options and shares granted	**8,576**	5,274			**8,576**	5,274
Total compensation	**34,021**	20,876	**578**	549	**34,599**	21,425

Loans and advances to key management personnel

amounts in thousands of euros	Amount outstanding 31 December 2006	Amount outstanding 31 December 2005	Average interest rate 2006	Average interest rate 2005	Repayments 2006	Repayments 2005
Executive Board members	**2,023**	699	**4.3%**	4.2%	**20**	74
Supervisory Board members		1,588		4.7%		
Total	**2,023**	2,287			**20**	74

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 allocated to ING Bank amount to EUR 12.7 million (2005: EUR 7.4 million; 2004: EUR 6.3 million) for members and former members of the Executive Board and EUR 0.3 million (2005: EUR 0.2 million; 2004: EUR 0.3 million) for members and former members of the Supervisory Board.

In 2006 the composition of the Executive Board and Supervisory Board changed. The present members were appointed on 7 February 2006.

The former members, until 7 February 2006, of the Executive Board and Supervisory Board received the following compensation in 2005.

Key management personnel compensation

2005	Executive Board	Supervisory Board	Total
Base salary	1.4	0.1	1.5
Short-term performance-related bonus	1.2		1.2
Pension costs	1.0		1.0
Retirement benefit	0.1		0.1
Fair market value of options and shares granted	0.4		0.4
Total compensations	4.1	0.1	4.2

At 31 December 2005 loans and advances granted to the former members of the Executive Board and Supervisory Board amounted to EUR 4.9 million and nil respectively.

Additional information to the consolidated balance sheet of ING Bank continued

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 hereunder 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	
	2006	2005	**2006**	2005
FINANCIAL ASSETS				
Cash and balances with central banks	**11,769**	10,718	**11,769**	10,718
Amounts due from banks	**39,861**	47,546	**39,868**	47,466
Financial assets at fair value through profit and loss:				
– trading	**193,451**	149,787	**193,451**	149,787
– non-trading derivatives	**4,968**	5,780	**4,968**	5,780
– designated as at fair value through profit and loss	**5,220**	9,472	**5,220**	9,472
Investments:				
– available-for-sale	**153,431**	161,199	**153,431**	161,199
– held-to-maturity	**17,494**	19,466	**17,660**	18,937
Loans and advances to customers [1]	**423,280**	395,842	**424,687**	391,067
Other assets [2]	**25,957**	23,736	**25,957**	23,736
	875,431	823,546	**877,011**	818,162
FINANCIAL LIABILITIES				
Amounts due to banks	**121,680**	122,317	**120,839**	122,234
Customer deposits and other funds on deposit	**496,078**	466,540	**496,775**	466,154
Debt securities in issue	**67,445**	73,790	**67,464**	73,295
Financial liabilities at fair value through profit and loss:				
– trading	**127,925**	92,057	**127,925**	92,057
– non-trading derivatives	**4,296**	5,593	**4,296**	5,593
– designated as at fair value through profit and loss	**13,702**	11,562	**13,702**	11,562
Other liabilities [3]	**17,924**	16,762	**17,924**	16,762
Subordinated loans	**18,113**	20,582	**18,073**	18,781
	867,163	809,203	**866,998**	806,438

[1] Loans and advances to customers do not include receivables from leases.
[2] Other assets do not include (deferred) tax assets.
[3] Other liabilities do not include (deferred) tax liabilities, pension liabilities and other provisions.

The estimated fair values correspond with the amounts at which the financial instruments 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 discount rate and the estimates of the amount and timing of the anticipated future cash flows. 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.

If the estimated fair value is lower than the balance sheet value a review has been performed to determine that the carrying amount is recoverable.

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 estimated 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 broker/dealer valuations or on internal discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings. The fair values of derivatives held for non-trading purposes generally reflect the estimated amounts that the Bank would receive or pay to terminate the contracts at the balance sheet date.

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 discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

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 non-performing loans are estimated by discounting the expected cash flows of recoveries. 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 estimated 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 discounted cash flow pricing models taking into account current cash flow assumptions and the counterparties' credit standings.

Additional information to the consolidated balance sheet of ING Bank continued

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is estimated using discounted cash flows based on current market interest rates for these instruments.

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

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

2006	Published price quotations	Valuation technique supported by market data	Valuation technique not supported by market data	Total
ASSETS				
Trading assets	113,451	42,716	37,284	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
	210,600	108,720	37,750	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

Sensitivities of fair values
The total amount of change in fair value estimated using a valuation technique recognised in net profit in 2006 was EUR 1,319 million for techniques supported by market inputs and EUR 28 million for techniques not supported by market inputs, reasonably likely changes in the assumptions used in the valuation techniques not supported by recent market transactions would not have a significant impact neither on the fair values nor on the profit and loss.

30 REGULATORY REQUIRMENTS

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 European Community 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 position

	2006	2005
Shareholders' equity (ING Bank N.V.)	**21,298**	21,331
Minority interests	**1,204**	482
Subordinated loans qualifying as Tier-1 capital [(1)]	**5,726**	5,764
Goodwill	**–136**	–77
Minority interest Record Bank	**162**	170
Revaluation reserve [(2)]	**–2,470**	–4,262
Core capital - Tier 1	**25,784**	23,408
Supplementary capital - Tier 2	**12,367**	11,605
Available Tier-3 funds	**329**	363
Deductions	**–1,251**	–650
Qualifying capital	**37,229**	34,726
Risk-weighted assets	**337,926**	319,653
Tier-1 ratio	**7.63%**	7.32%
BIS ratio	**11.02%**	10.86%

[(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.

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

31 INTEREST RESULT

Interest result

	2006	2005	2004
Interest income on loans	**21,742**	18,741	15,846
Interest income on impaired loans	**13**	–23	–84
Total interest income on loans	**21,755**	18,718	15,762
Interest income on available-for-sale securities	**6,989**	5,989	6,175
Interest income on held-to-maturity securities	**755**	639	
Interest income on trading portfolio	**21,414**	15,237	883
Interest income on non-trading derivatives	**5,231**	5,658	
Other interest income	**3,015**	1,911	2,458
Total interest income	**59,159**	48,152	25,278
Interest expense on deposits by banks	**3,559**	2,371	1,351
Interest expense on customer deposits and other funds on deposit	**15,107**	11,960	9,440
Interest expense on debt securities	**3,173**	2,911	2,688
Interest expense on subordinated loans	**1,011**	1,073	892
Interest on trading liabilities	**18,823**	13,369	
Interest on non-trading derivatives	**5,159**	5,821	
Other interest expense	**2,994**	1,502	2,336
Total interest expense	**49,826**	39,007	16,707
Interest result	**9,333**	9,145	8,571

The presentation of interest income and interest expense changed in 2005 due to the implementation of IAS 32 and 39. For certain trading derivatives interest income and expense were included in Net trading income in 2004. As of 2005 these are presented as interest income and interest expense as included in Interest result. This reclassification results in an increase in 2005 in interest income and interest expense of approximately EUR 12 billion. In addition, interest income and expense related to certain non-trading derivatives that were presented net during 2004, are presented gross as of 2005. As a result of this presentation difference, interest income and interest expense in 2005 is approximately EUR 5 billion higher than in 2004.

Interest margin

in percentage	2006	2005	2004
Interest margin	**1.06**	1.16	1.22

In 2006, the growth of the average total assets caused an increase of the interest result amounting to EUR 1,040 million (2005: EUR 1,214 million; 2004: EUR 1,183 million). 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; in 2004 the decrease of the interest margin by 9 basis points caused a decrease of the interest result with EUR 453 million).

32 INVESTMENT INCOME

Investment income

	2006	2005	2004
Income from real estate investments	**134**	194	248
Dividend income	**84**	71	151
	218	265	399
Realised gains/losses on disposal of equity securities	**149**	171	45
Impairments of available-for-sale equity securities	**–17**	–45	
Realised gains/losses on equity securities	**132**	126	45
Income from investments in debt securities	**18**	12	
Realised gains/losses on debt securities	**93**	61	
Change in fair value of real estate investments	**67**	59	62
	178	132	62
Investment income	**528**	523	506

33 COMMISSION RESULT

Fee and commission income

	2006	2005	2004
Funds transfer	**704**	645	620
Securities business	**1,064**	905	946
Management fees	**944**	787	869
Brokerage and advisory fees	**207**	152	140
Insurance broking	**171**	115	136
Other	**704**	645	624
	3,794	3,249	3,335

Fee and commission expenses

	2006	2005	2004
Funds transfer	**140**	56	45
Securities business	**347**	264	281
Management fees	**204**	139	103
Brokerage and advisory fees	**2**	6	1
Other	**420**	383	324
	1,113	848	754

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

34 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives

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

No figures are presented for 2004 as IAS 39 was adopted from 1 January 2005.

35 NET TRADING INCOME

Net trading income

	2006	2005	2004
Results from securities trading	**–804**	660	365
Results from foreign exchange transactions	**282**	378	566
Other	**1,423**	–617	–305
	901	421	626

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 2006 that relates to trading securities still held at 31 December, amounts to EUR 147 million (2005: EUR 7 million; 2004: EUR –154 million).

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 1,662 million.

36 OTHER INCOME

Other income

	2006	2005	2004
Operating lease income	**65**	72	112
Negative goodwill			26
Other income	**411**	489	236
	476	561	374

37 OTHER IMPAIRMENTS

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

	Impairment losses			Reversals of impairments			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Property and equipment		81	83	**–4**	–27		**–4**	54	83
Property under development for third parties	**17**						**17**		
Associates	**3**						**3**		
	20	81	83	**–4**	–27		**16**	54	83

Impairment on Loans and advances to customers are presented under Addition to the loan loss provision. Impairments on Investments are presented under investment income.

38 STAFF EXPENSES

Staff expenses

	2006	2005	2004
Salaries	**3,480**	3,286	3,308
Pension and other staff-related liability costs	**184**	256	454
Social security costs	**444**	444	426
Share-based compensation arrangements	**59**	33	57
Other staff costs	**924**	726	706
	5,091	4,745	4,951

Pension and other staff-related liability costs

	Pension benefits			Post-retirement benefits other than pensions			Other			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Current service cost	**257**	300	271	**1**	27	18	**21**	32	4	**279**	359	293
Past service cost	**18**	136		**–1**				5		**17**	141	
Interest cost	**452**	393	473	**3**	22	18	**6**	33	14	**461**	448	505
Expected return on assets	**–530**	–443	–404					–22	–11	**–530**	–465	–415
Amortisation of unrecognised actuarial (gains)/losses	**13**	–2								**13**	–2	
Effect of curtailment or settlement	**–6**	–11		**–87**	–270			–3		**–93**	–284	
Defined benefit post-employment plans	**204**	373	340	**–84**	–221	36	**27**	45	7	**147**	197	383
Defined contribution plans										**37**	59	71
										184	256	454

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.

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

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 2006 52,722,755 own shares (2005: 38,722,934) were held in connection with the option plan compared to 74,175,909 options outstanding (2005: 85,128,950). 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 2006 2,432,686 shares (2005: 2,907,101) have been granted to senior management and other employees remaining in the service of ING Bank.

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		
	2006	2005	2004	**2006**	2005	2004
Opening balance	**49,385,301**	49,266,799	52,526,651	**24.65**	25.41	26.80
Granted	**7,515,107**	7,852,009	7,709,145	**32.77**	23.24	18.71
Exercised	**10,210,565**	468,712	40,905	**19.73**	22.25	18.57
Forfeited	**668,094**	115,490	609,771	**26.75**	25.18	20.31
Expired	**3,640,876**	7,149,305	10,318,321	**26.03**	30.10	29.46
Closing balance	**42,380,873**	49,385,301	49,266,799	**26.03**	24.65	25.41

The weighted average share price at the date of exercise for options exercised in 2006 is EUR 32.02.

Changes in option rights nonvested

	Options nonvested			Weighted average grant date fair value		
	2006	2005	2004	**2006**	2005	2004
Opening balance	**23,991,106**	27,423,433	27,974,677	**3.72**	4.95	6.16
Granted	**7,515,107**	7,852,009	5,576,520	**6.49**	3.48	3.61
Vested	**10,041,002**	11,209,110	5,999,728	**4.87**	6.55	9.41
Forfeited	**925,633**	75,226	128,036	**3.73**	3.63	3.81
Closing balance	**20,539,578**	23,991,106	27,423,433	**4.60**	3.72	4.95

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**		

Summary of stock options outstanding and exercisable

2005 range of exercise price in euros	Options outstanding as at 31 December 2005	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2005	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 15.00	10,211,274	7.17	12.67	2,423,643	7.20	12.87
15.00 – 20.00	5,379,207	8.21	18.67	301,461	7.85	18.84
20.00 – 25.00	7,769,788	9.24	23.22	172,095	7.45	23.17
25.00 – 30.00	16,717,038	5.21	28.57	25,901,115	5.14	28.53
30.00 – 35.00	194,662	1.15	33.15	361,530	1.15	33.15
35.00 – 40.00	9,113,332	3.16	35.42	14,561,974	3.16	35.42
	49,385,301			43,721,818		

The aggregate intrinsic value of options outstanding and exercisable at 31 December 2006 was EUR 329 million and EUR 163 million respectively.

As of 31 December 2006 there was EUR 49 million of total unrecognised compensation costs related to stock options (2005: EUR 50 million; 2004: EUR 24 million). These costs are expected to be recognised over a weighted average period of 1.9 years (2005: 2.0 years; 2004: 1.8 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 years 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.

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

39 OPERATING EXPENSES

Operating expenses

	2006	2005	2004
Depreciation of property and equipment	**361**	376	359
Computer costs	**705**	670	663
Office expenses	**635**	622	646
Travel and accommodation expenses	**139**	133	115
Advertising and public relations	**722**	619	566
External advisory fees	**449**	356	274
Other	**882**	1,194	1,057
	3,893	3,970	3,680
Addition of provision for reorganisations and relocation	**63**	86	82
	3,956	4,056	3,762

Operating expenses include lease and sublease payments in respect to operating leases of EUR 226 million (2005: EUR 50 million; 2004: EUR 39 million).

40 TAXATION

Taxation by type

	Netherlands			International			Total		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Current taxation	**389**	444	351	**652**	563	571	**1,041**	1,007	922
Deferred taxation	**1**	22	39	**169**	–153	–63	**170**	–131	–24
	390	466	390	**821**	410	508	**1,211**	876	898

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

	2006	2005	2004
Result before taxation	**5,024**	4,876	3,402
Statutory tax rate	**29.6%**	31.5%	34.5%
Statutory tax amount	**1,487**	1,536	1,174
Associates exemption	**22**	–241	–175
Other income not subject to tax	**–278**	–144	20
Expenses not deductible for tax purposes	**109**		
Differences caused by different foreign tax rates	**–52**	18	–71
Adjustment to prior periods	**–31**	–66	
Change in tax rates	**–63**		
Deferred tax benefit from previously unrecognised amounts	**–30**	–241	
Current tax benefit from previously unrecognised amounts	**–52**	–144	
Write down/reversal of deferred tax assets	**–6**		
Other	**105**	158	–50
Effective tax amount	**1,211**	876	898
Effective tax rate	**24.1%**	18.0%	26.3%

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

41 NET INTEREST INCOME

Total interest income and total interest expense for items not valued at fair value through the profit and loss in 2006 were EUR 32,258 million and EUR 25,255 million respectively (2005: EUR 27,257 million and EUR 19,819 million; 2004: EUR 24,395 million and EUR 14,630 million).

Segment reporting
amounts in millions of euros, unless stated otherwise

42 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 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

2006	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Eliminations	Total
Income:							
– external	7,215	6,028	2,314	–1,367	14,190		14,190
– inter-segment	–1,397	–26	59	1,364			
Total income	5,818	6,002	2,373	–3	14,190		14,190
Segment profit before taxation	2,481	1,932	694	–83	5,024		5,024
Divestments	44		23		67		67
Underlying profit before taxation	2,525	1,932	717	–83	5,091		5,091
Segment assets	764,882	313,566	253,785	137,374	1,469,607	–574,622	894,985
Segment liabilities	756,645	309,516	250,354	130,590	1,447,105	–574,622	872,483
Depreciation and amortisation	171	216	74		461		461
Impairments	19	4			23		23
Reversal of impairment	3	4			7		7
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

Business segments

2005	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Elimi-nations	Total
Income:							
– external	6,808	5,611	1,830	–430	13,819		13,819
– inter-segment	–851	185	289	377			
Total income	5,957	5,796	2,119	–53	13,819		13,819
Segment profit before taxation	2,599	1,877	617	–217	4,876		4,876
Divestments	–300	–62			–362		–362
Underlying profit before taxation	2,299	1,815	617	–217	4,514		4,514
Segment assets	677,869	311,382	233,412	27,856	1,250,519	–416,484	834,035
Segment liabilities	669,352	307,990	230,346	21,018	1,228,706	–416,484	812,222
Depreciation and amortisation	184	229	63		476		476
Impairments	75	6			81		81
Reversal of impairment	15	12			27		27
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

Segment reporting continued

Business segments

2004	Wholesale Banking	Retail Banking	ING Direct	Other	Total segments	Elimi-nations	Total
Income:							
– external	7,251	4,454	1,177	–219	12,663		12,663
– inter-segment	–1,380	608	532	240			
Total income	5,871	5,062	1,709	21	12,663		12,663
Segment profit before taxation	1,945	1,175	435	–153	3,402		3,402
Divestments	71	–7			64		64
Special items	41			3	44		44
Underlying profit before	2,057	1,168	435	–150	3,510		3,510
Segment assets	474,948	252,450	170,001	6,528	903,927	–283,892	620,035
Segment liabilities	465,308	249,388	167,645	6,184	888,525	–283,892	604,633
Depreciation and amortisation	220	220	49	3	492		492
Impairments	52	31			83		83
Share in profit or loss of associates	28	–6		12	34		34
Book value of associates	791	41	10	7	849		849
Cost incurred to acquire property, equipment and intangibles	167	178	135		480		480

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

2006	**Wholesale Banking**	**Retail Banking**	**ING Direct**	**Other**	**Total**
Interest income	**37,873**	**10,334**	**10,491**	**461**	**59,159**
Interest expense	**31,648**	**8,085**	**8,309**	**1,784**	**49,826**
	6,225	**2,249**	**2,182**	**–1,323**	**9,333**

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

2005	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	30,092	10,200	8,154	–294	48,152
Interest expense	25,326	7,067	6,528	86	39,007
	4,766	3,133	1,626	–380	9,145

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

2004	Wholesale Banking	Retail Banking	ING Direct	Other	Total
Interest income	12,988	6,328	6,141	–179	25,278
Interest expense	8,637	2,848	5,077	145	16,707
	4,351	3,480	1,064	–324	8,571

43 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

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

Geographical segments

2004	Nether-lands	Bel-gium	Rest of Europe	North Ame-rica	Latin Ame-rica	Asia	Aus-tralia	Other	Elimi-nations	Total
Income:										
– external	5,603	2,530	2,537	1,596	–41	250	186	2		12,663
– inter-segment	–304	–241	769	–444	156	60	4			
Total income	5,299	2,289	3,306	1,152	115	310	190	2		12,663
Segment profit before taxation	1,664	680	327	590	40	–4	105			3,402
Segment assets	264,296	124,812	251,064	78,590	7,610	20,754	14,335		–141,426	620,035
Cost incurred to acquire property, equipment and intangibles	136	95	159	67	4	15	4			480

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

44 NET CASH FLOW FROM INVESTING ACTIVITIES
Information on the impact of companies acquired or disposed of is presented in Note 24 'Principal subsidiaries and companies acquired/disposed'.

45 BORROWED FUNDS AND DEBT SECURITIES
Borrowed funds and debts securities of EUR 16,021 million (2005: EUR 2,751 million) includes Proceeds from borrowed funds and debt securities of EUR 236,902 million (2005: EUR 183,258 million) and Repayments of borrowed funds and debts securities of EUR 220,881 million (2005: EUR 180,507 million). Gross proceeds and repayments are high, mainly due to the issue, repayment and renewal of short term certificates of deposits and commercial paper.

46 INTEREST AND DIVIDEND RECEIVED AND PAID

Interest and dividend received and paid

	2006	2005	2004
Interest received	**57,360**	44,194	25,279
Interest paid	**51,145**	32,413	16,708
	6,215	11,781	8,571
Dividend received	**111**	43	18
Dividend paid	**1,800**	701	818

47 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	2006	2005	2004
Cash and cash equivalents comprises the following items:			
Treasury bills and other eligible bills	**4,333**	11,572	12,382
Amounts due to banks	**–20,454**	–21,321	–9,898
Cash and balances with central banks	**11,769**	10,718	7,834
Cash and cash equivalents at end of year	**–4,352**	969	10,318

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

	2006	2005	2004
Treasury bills and other eligible bills included in trading assets	**1,286**	8,878	8,730
Treasury bills and other eligible bills included in available-for-sale investments	**3,047**	2,694	3,652
	4,333	11,572	12,382

Amounts due to/from banks

	2006	2005	2004
Included in cash and cash equivalents:			
– amounts due to banks	**–26,498**	–25,441	–15,198
– amounts due from banks	**6,044**	4,120	5,300
	–20,454	–21,321	–9,898
Not included in cash and cash equivalents:			
– amounts due to banks	**–94,341**	–96,793	–80,680
– amounts due from banks	**33,824**	43,346	39,784
	–60,517	–53,447	–40,896
Included in balance sheet:			
– amounts due to banks	**–120,839**	–122,234	–95,878
– amounts due from banks	**39,868**	47,466	45,084
	–80,971	–74,768	–50,794

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.

Risk management
amounts in million of euros, unless stated otherwise

INTRODUCTION

The objective 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.

The following principles support this objective:
1. Products and portfolios are structured, underwritten, priced, approved and managed appropriately and internal and external rules and guidelines are complied with.
2. ING Bank's risk profile is transparent, 'no surprises', and consistent with delegated authorities.
3. Delegated authorities are consistent with the overall strategy and risk appetite.
4. Transparent communication to internal and external stakeholders on risk management and value creation.

Taking risk is inherent to ING Bank's business activities. To ensure prudent risk taking throughout the organisation, ING Bank operates through a comprehensive risk governance framework. We believe this ensures the proper identification, measurement and control of risks in all levels of the organisation so that financial strength is safeguarded.

RISK GOVERNANCE
ING Bank's risk governance framework provides clear charters and mandates for the management of risk. At the highest level, there are Group Board committees which oversee risk taking and have ultimate approval authority. One level below, ING has several Bank risk committees which focus on a specific type of risk and have an advisory role to the ING Group Executive Board. In 2006, ING Bank introduced the 'three lines of defence' concept described below.

Board risk oversight
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.

- 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 ING Group Executive Board reports on the Group's risk profile 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. The ING Group Audit Committee is composed in such a way so as to ensure that specific business know-how and expertise relating to the activities of ING Bank are available. In principle the ING Group Chief Financial Officer (ING Group CFO) and/or ING Group Deputy Chief Risk Officer attends the ING Group Audit Committee meetings.

Risk Management organisation- 'three lines of defence'
To ensure that the risk framework is effective and clear on responsibilities, ING Bank adopted the three lines of defence concept. 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 belong to the first line of defence. Risk management, both at corporate and regional/local level, belongs to the second line of defence. All risk managers in the business lines have a functional reporting line to the Corporate Risk Managers. The Internal Audit function provides independent and objective assurance on the effectiveness of the overall system of internal control, including financial, operational, compliance and risk management and forms the third line of defence.

Risk committees

The Bank risk committees described below are part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the ING Group Executive Board. These committees have an advisory role to the ING Group CFO and ensure a close link between the business lines and the Group risk management function through representation of the business heads and the Corporate Risk Managers on each committee.

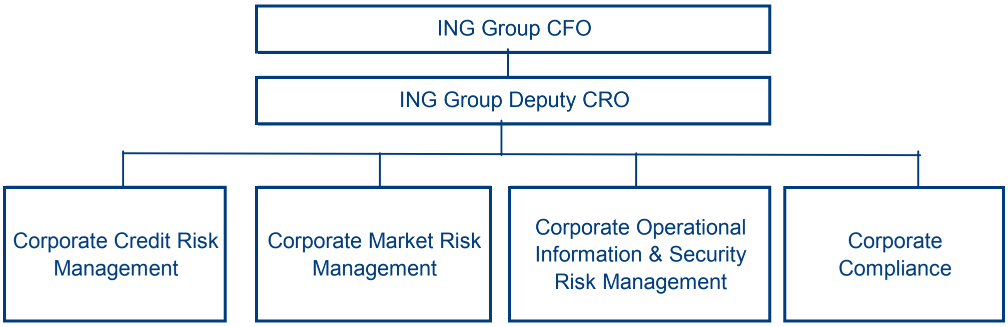
- ING Group Credit Committee – Policy (GCCP): Advises on policies, methodologies and procedures related to credit, market and operational risks within ING Bank. The GCCP meets on a monthly basis.
- ING Group Credit Committee – Transaction Approval (GCCTA): Advises on transactions involving the taking of credit risk (including issuer investment risk). The GCCTA meets twice a week.
- ING Provisioning Committee (IPC): Advises on specific and collective loan loss provisions figures for ING Bank. The IPC meets on a quarterly basis.
- Asset & Liability Committee ING Bank (ALCO Bank): Advises on the overall risk profile of all ING Bank's non-trading market risk that occurs in its Wholesale Banking, Retail Banking and ING Direct activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency of ING Bank. ALCO Bank meets on a monthly basis.

Risk management function

Functional Reporting Lines

The risk management function is embedded in all levels of the ING Bank organisation. In line with the commitment to implement best practice Enterprise Wide Risk Management, ING Group restructured its risk management organisation in 2006, strengthening the cohesion between the risk related functions. To emphasise the role and importance of risk management, an ING Group Deputy CRO was appointed who is responsible for the management and control of risk on a consolidated level. The ING Group Deputy CRO reports directly to the ING Group CFO who is a member of the ING Group Executive Board and bears primary overall responsibility for the ING Group Risk Function (It is the intention that the CRO function will be a full ING Group Executive Board function in 2007).

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



The Risk Function is structured independently from the business lines and is organised through four 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 of ING Bank.
- Corporate Operational Information & Security Risk Management is responsible for managing operational, information, and security risks within ING Bank.
- Corporate Compliance assists, supports and advises Management in fulfilling its compliance responsibilities, advises employees on their (personal) compliance obligations and monitors the embedding of Compliance Policies in ING Bank.

The heads of these departments (Corporate Risk Managers) report to the ING Group Deputy CRO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk Managers and the ING Group Deputy CRO advise the ING Group CFO and are responsible for the harmonisation and standardisation of risk management practices. The respective risk functions assist in the formulation of risk appetite, policies and limit structures for the management of risk and provide objective challenge, oversight and support of risk management activity across the business.

In addition the Risk Function has an independent Model Validation Unit. This department is responsible for the management of model risk, which is the risk created by ING Bank's dependence on its own risk projections. The foundation of model governance is model validation: the official determination by an independent person that a model is acceptable for a given purpose. The department carries out period model validations of all risk models used by ING Bank. The head of this department reports to the ING Group Deputy CRO.

Risk management continued

Risk policies
The various risk management functions have each designed and issued a framework of risk management policies and procedures providing the lines of business guidance on how to manage risk. Policies and procedures are regularly reviewed and updated via the relevant Bank risk committees.

RISK APPETITE AND STRATEGY
ING Bank's risk appetite is determined by the ING Group Supervisory Board and the ING Group Executive Board who aim for a balance between risk, return and capital. The process is such that at least once annually, the ING Group Executive Board formulates the Strategic Plan and reports on the risks associated with the plan to the ING Group Supervisory Board for approval. As part of the planning process, strategic limits are explicitly discussed and planned.

From these overall risk appetite statements, operational limits cascade down into the organisation, e.g.
– Credit risk limits
– ALM/Value at Risk limits

RISK MEASUREMENT
The major risk categories associated with the extensive volume and variety of financial instruments that ING Bank uses are credit risk, market risk (including liquidity risk), operational, information and security risk and compliance risk. In the sections below ING Bank's risk management activities are described respective to the various risk departments. Each risk department describes the types of risk it manages and the applicable risk measurement method that ING practices, including a quantification of the risks.

CREDIT RISK

General
ING Bank's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the Lines of Business 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.

The implementation of all relevant credit rating and loss given default models was completed in anticipation of new global capital regulations from the Basel Committee for banks (Basel II). Additionally credit risk monitoring capabilities and governance have been enhanced to comply with Basel II and new, more stringent SOX 404 regulations and compliance standards.

Measurement
Credit risk
Credit risk is the risk of loss from default by debtors (including bond issuers) or counterparties. Credit risks arise in ING's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

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. ING Bank applies the Risk Adjusted Return on Capital framework (RAROC). This method 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.

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING has paid or delivered its side of the trade. The risk is that ING delivers, but does not receive delivery from the counterparty. Settlement risk can most commonly be contained and reduced by entering into transactions with delivery-versus-payment (DVP) settlement methods, as is common with most clearing houses, or settlement netting agreements.

For those transactions where DVP settlement is not possible, ING establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed through 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 regularly participates in projects with other banks to improve and develop new clearing systems and clearing mechanisms to further reduce the level of settlement risk.

Country risk
Country risk is the risk specifically attributable to events in a specific country (or group of countries). Country risk is identified in lending (corporate and counterparty), trading and investment activities. All transactions and trading positions generated by ING include country risk. Country risk 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 or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING's risk appetite. Exposures derived from lending and investment activities are then measured and reported against these country limits on a daily basis. Country risk limits are assigned for transfer risk generally only in emerging markets.

Collateral policies
As with all financial institutions and banks in particular, ING is in the business of taking credit risks. 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 determines the amount and type of collateral, if any, that a customer may be required to pledge to ING. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING actively enters into various legal arrangements whereby ING and/or counterparties may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING can receive or pledge. Additionally, ING will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio. The type of collateral which is held as security for loans is determined by the structure of the loan. 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.

Problem Loans
Restructuring
In some cases, ING will work with an obligor and its other creditors, if any, to restructure the obligor's business and its financial obligations in order to minimise any financial losses to the creditors as a whole, and ING in particular. This can be accomplished through many means available to the creditors, the most common of which are (a) extending the repayment period, (b) selling assets, (c) selling business lines of the obligor, (d) forgiving part of the financial obligations, and (e) a combination of the above. The decision to enter into such a restructuring is done only after careful internal assessment and approval by the appropriate (internal) delegated authorities. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

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 constitute operational risk. 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 usually 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.

There is no significant concentration of a particular type of loan structure in the watch-list, past due or the impaired loan portfolio.

Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other 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.

Risk management continued

Repossession policy
It is ING's general policy not to take possession of assets of defaulted debtors. Rather, ING attempts to sell the assets from within the legal entity that has pledged these assets to ING, in accordance with the respective collateral or pledge agreements signed with the obligors. In those cases where ING does take possession of the collateral, ING generally attempts to sell the assets as quickly as possible to prospective buyers. Based on internal assessments to determine the highest and quickest return for ING, the sale of repossessed assets could be the sale of the obligor's business as a whole (or at least all of its assets), or the assets could be sold piecemeal.

Credit Risk exposure
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 pool of assets held by the issuer of the securitised bond. 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.

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.

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, as % of total outstandings[1]

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
in percentages	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
1 (AAA)	**5.5**	5.4	**0.4**	0.2	**32.4**	27.2	**13.6**	13.8
2-4 (AA)	**26.3**	29.0	**5.6**	1.5	**24.6**	31.7	**20.6**	22.1
5-7 (A)	**13.8**	12.9	**2.7**	2.0	**13.3**	10.5	**10.9**	9.5
8-10 (BBB)	**19.7**	18.4	**31.5**	52.7	**15.8**	9.3	**21.3**	21.6
11-13 (BB)	**27.7**	26.7	**48.6**	36.8	**12.6**	19.8	**27.6**	27.6
14-17 (B)	**4.9**	4.8	**7.4**	2.6	**0.8**	1.2	**4.1**	4.0
18-22 (Problem Grade)	**2.1**	2.8	**3.8**	4.2	**0.5**	0.3	**1.9**	1.4
	100.0	100.0	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

[1] based on lending (wholesale and retail), financial markets and investment activities.

The table reflects probabilities of default and does not take collateral into consideration.

ING Banking units have continued to implement and improve risk rating models in preparation for new regulatory requirements. This has led to improvements in the average credit quality in all lines of business in 2006. Within Retail Banking, there was a small shift downward from BBB to BB related to the introduction of improved rating models in the Benelux. Hence, the movement mainly represents a reclassification between risk rating classes and not a deterioration of the underlying credit risk profile.

Provisions: ING Bank portfolio

	Wholesale Banking	Retail Banking	ING Direct	Total ING Bank	Total ING Bank
				2006	2005
Opening balance	**2,294**	**725**	**294**	**3,313**	4,456
Implementation IAS 32/39					–592
Changes in the composition of the group	**–78**		**–23**	**–101**	–4
Write-offs	**–404**	**–236**	**–51**	**–691**	–842
Recoveries	**31**	**44**	**11**	**86**	61
Increase/(decrease) in loan loss provision	**–118**	**140**	**81**	**103**	88
Exchange differences	**–55**	**–7**	**–5**	**–67**	115
Other changes	**–60**	**75**	**–16**	**–1**	31
Closing balance	**1,610**	**741**	**291**	**2,642**	3,313

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.

ING Bank's risk costs continued to be low in 2006, 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 and the low risk growth strategy in Retail Banking and ING Direct.

Risk concentration: ING Bank portfolio, by economic sector

	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
in percentages	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Construction, infrastructure & Real Estate	**12.3**	11.6	**2.0**	0.8	**0.8**	0.2	**5.8**	5.7
Financial Institutions	**39.0**	39.8	**3.3**	1.5	**59.0**	61.2	**37.0**	39.4
Private Individuals	**0.3**	1.6	**81.8**	93.2	**31.4**	27.0	**31.3**	28.1
Public Administration	**11.2**	11.9	**1.8**	0.5	**7.5**	10.7	**7.6**	9.2
Services	**4.6**	4.1	**1.6**	0.5	**0.0**	0.0	**2.3**	2.1
Other	**32.6**	31.0	**9.5**	3.5	**1.3**	0.9	**16.0**	15.5
	100.0	100.0	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

There were no significant changes in risk concentrations by economic sector in 2006, at the ING Bank level. Within ING Direct there was a shift towards more private individuals reflecting growth in the ING Direct retail portfolio, at the expense of slower growth in the (bond) investment portfolios. This was offset by a decline in the private individuals concentration within Retail Banking as a result of growth in the Small Business and SME sectors.

Risk management continued

Largest economic exposures: ING Bank lending portfolio, by country[1]								
	Wholesale Banking		Retail Banking		ING Direct		Total ING Bank	
amounts in billions of euros	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Netherlands	**62.0**	56.5	**122.1**	117.4	**1.8**	2.9	**185.9**	176.8
United States	**25.8**	22.1	**0.2**	0.1	**52.1**	47.6	**78.1**	69.8
Belgium	**36.2**	40.7	**26.2**	14.4	**1.6**	1.4	**64.0**	56.5
Germany	**10.3**	35.4	**0.3**	0.2	**45.3**	32.3	**55.9**	67.9
Spain	**11.0**	8.9	**0.4**	0.0	**36.0**	33.3	**47.4**	42.2
United Kingdom	**17.1**	21.5	**0.1**	0.2	**18.5**	17.5	**35.7**	39.2
Australia	**2.4**	1.5	**0.0**	0.0	**22.0**	17.3	**24.4**	18.8
Italy	**10.9**	9.2	**0.6**	0.1	**9.7**	9.8	**21.2**	19.1
France	**16.2**	12.7	**0.6**	0.2	**3.2**	3.8	**20.0**	16.7
Canada	**1.5**	2.1	**0.0**	0.0	**15.1**	15.2	**16.6**	17.3

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

The large decrease in German exposure within Wholesale Banking is the result of the divestiture of DHB, which was somewhat offset by organic growth at DiBa within ING Direct. With the exception of minor decreases in Canada and the UK, all of the major countries experienced growth in 2006.

The methodology of calculating risk capital is linked to the risk definitions with respect to determining where the country risk occurs. Emerging market countries with low and medium risk that have not defaulted require no mandatory provisions for transfer risk. Instead of provisions, additional capital is allocated to transactions that incur country risk. The amount of additional capital allocated is a function of the risk of the country as well as the risk of the transaction itself. This is called Transfer Risk Capital which is an estimate of the maximum transfer loss (above the level of Expected Transfer Loss) within a certain time period on a portfolio of assets given a certain confidence level.

MARKET RISK

MARKET RISK IN TRADING PORTFOLIOS

Organisation

Corporate Market Risk Management (CMRM) Trading focuses on the management of trading market risks in the Wholesale Banking business. Specifically, 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 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.

The Financial Markets Risk Committee (FMRC) is a market risk committee that, within the guidelines set by the ING Group Executive Board, sets market risk limits both on an aggregated level and on a desk level, and approves new products. CMRM advises the ING Group Executive Board on the market risk appetite of Wholesale Banking activities.

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 at least 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 interval 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. The VaR also serves as a basis for the calculation of the regulatory capital and economic capital that ING needs to hold to cover possible losses from trading activities.

The market risk 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 the underlying issuer of securities in the portfolios.

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

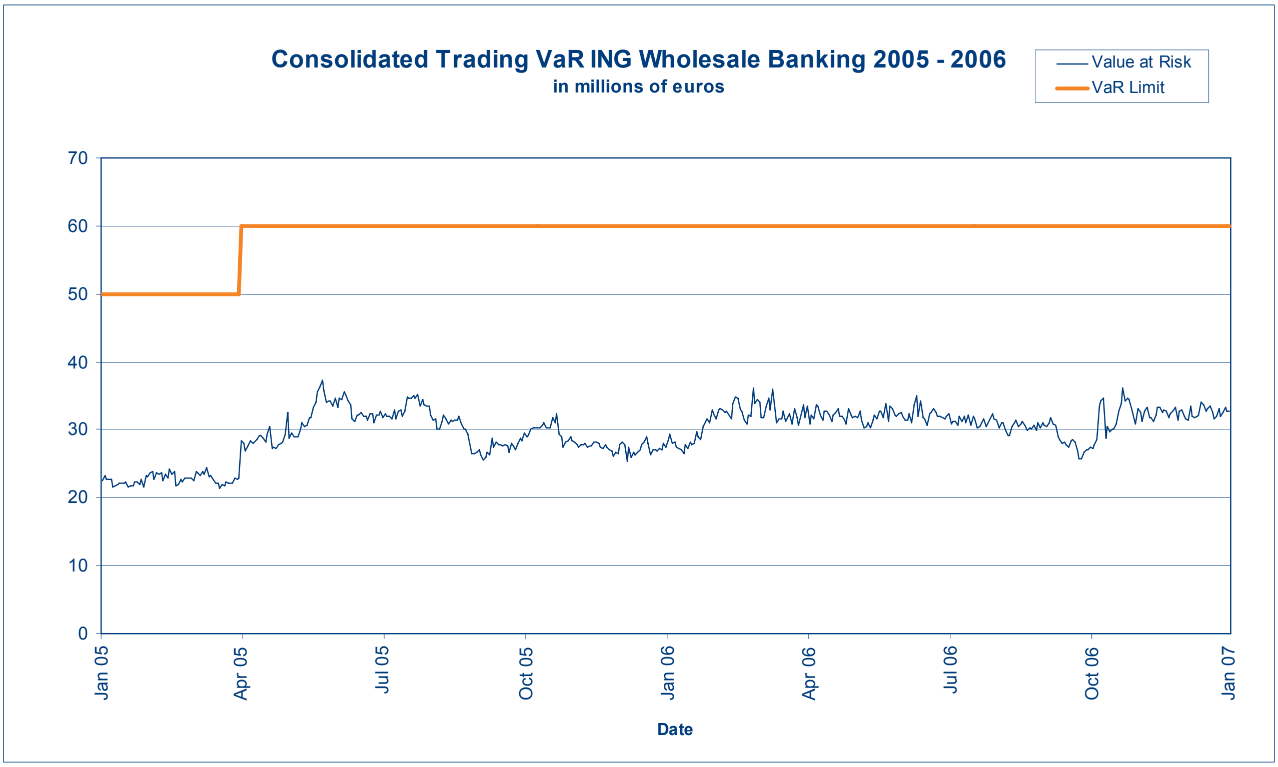
Limitations
VaR as a risk measure has some limitations. VaR quantifies the potential loss under the assumption of normal market conditions only. This assumption may not always hold true in reality, especially when market events occur, and therefore could lead to an underestimation of the potential loss. 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 interval means that VaR does not take into account any losses that occur beyond this confidence level.

Backtesting
Although VaR models estimate potential future results, estimates are based on historical market data. ING continuously monitors the plausibility and effectiveness of the VaR model in use. The technique for this purpose is generally known as backtesting in which the actual daily result is compared with the daily VaR. In addition to using actual results for backtesting, ING 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 Bank's one-sided confidence level of at least 99% an occurrence is expected once in every 100 business days at maximum. In 2006, there was no occurrence (2005: none) where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale Banking.

Stress Testing
Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING uses structured stress tests for monitoring the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event risk number, which is an estimate of the profit and loss account effect caused by a potential event and its world-wide impact for ING Wholesale Banking. The event risk number for the ING Wholesale Banking trading activity is generated on a weekly basis. The event-risk policy (and its technical implementation) is specific to ING as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value-at-Risk model). ING's event risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange and related derivative markets). The scenarios and stress parameters are back-tested against extreme market movements that actually occurred in the markets.

Development of trading market risks
The following chart shows the development of the overnight VaR for the ING Wholesale Banking trading portfolio which was managed by CMRM Trading during 2005 and 2006. 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.

Risk management continued



During 2005 and 2006 the overnight VaR for the ING Wholesale Banking trading portfolio was continuously within the range of EUR 21- 37 million.

The average exposure over 2006 was higher than 2005 (average VaR 2006: EUR 31 million and average VaR 2005: EUR 28 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.

More details on the VaR of the ING Wholesale Banking trading portfolio for 2006 and 2005 are provided in the table below.

Consolidated trading VaR: ING Wholesale Banking, by portfolio

	Minimum		Maximum		Average		Year end	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Foreign exchange	**1**	1	**7**	5	**3**	3	**2**	2
Equities	**7**	7	**11**	13	**9**	10	**8**	9
Interest rates	**20**	14	**30**	30	**25**	21	**27**	22
Diversification[(1)]					**–6**	–6	**–4**	–6
Total VaR					**31**	28	**33**	27

[(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.

MARKET RISK IN NON-TRADING PORTFOLIOS
Organisation
Within ING Bank, positions are labelled as either trading or non-trading positions. The banking books are defined as the non-trading books. The most important aspect in segregating the banking from the trading books is the intent of the positions held in these books. It is of crucial relevance that 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, interest rate risk management of the banking books is the responsibility of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for interest rate risk in the banking books. 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 interest rate risk in all the banking books. This ensures a correct implementation of the ING Bank risk appetite. CMRM is the designated independent department that is responsible for the design and execution of the bank's interest rate risk management functions in support of the ALCO function. CMRM is therefore responsible for determining adequate policies and procedures for managing the interest rate risk in the banking books and for monitoring the compliance with these guidelines. CMRM maintains an adequate limit framework in line with the bank's risk appetite. 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 interest rate risk relevant at the respective levels. The businesses are responsible for adhering to the limits that 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.

Interest rate risk in banking books
To enable clear assignment of responsibilities for risk and return within the banking book structure, a split into two types of activities is made: Asset & Liability Management (ALM) and commercial business. Within ING Bank the risk transfer principle is used. This refers to the principle whereby the outright interest rate risk present in the banking books is centralised in the ALM books. Outright interest rate risk in the banking books arises due to (i) investment of the bank's own funds (core equity) and (ii) the fact that the assets and liabilities originated by the bank typically do not reprice simultaneously and therefore have a different duration.

Within ING Bank, the Bank's own funds and the investments of these own funds are isolated under 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 investments as the risk neutral position. The risk data presented in the following market risk tables provide a regulatory view on equity. They directly reflect the risk of the investments under the assumption that ING Bank's own funds are not sensitive to market rate changes.

The outright interest rate risk that arises due to the repricing mismatch of the bank's originated assets and liabilities is transferred from the commercial banking books to the ALM books. These ALM books are managed within ING Wholesale Banking and contain the strategic interest rate risk position of the bank. The main objective is to maximise the economic value of the book and to generate adequate and stable yearly earnings by hedging the risk that arises from the bank's commercial banking activities and taking the strategic interest rate position it desires within the risk appetite of the bank.

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 the 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 from the ALM books and the commercial banking books are managed and measured on an integrated level.

Within CMRM, continuous research is being done in order to optimise the modelling of client behaviour. 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 the 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.

Risk management continued

In the following tables, the risk figures for interest rate risk in the banking books are presented. ING Bank uses several measures to control interest rate risk both from an earnings and a value perspective. The most important of these measures are Earnings-at-Risk (EaR) and NPV-at-Risk.

EaR measures the impact on IFRS earnings 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 of the market rates. 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 basis 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.

Earnings-at-risk (1% instantaneous upward shock to market rates)

	2006
By Business Line	
ING Wholesale Banking	–19
ING Retail Banking	–107
ING Direct	–260
ING Bank Corporate Line	22
ING Bank Total	–364
By Currency	
Euro	–232
US dollar	–80
Pound sterling	–4
Other	–48
Total	–364

As compared to the EaR calculations presented in the 2005 Annual Accounts, the size of the applied shock to the interest rates has been reduced from 2% to 1%. This has been done as the 1% scenario is more likely to occur in the current low interest rate environment than the 2% scenario. Applying the 2% instantaneous upward parallel shock to the year end 2006 figures results in an EaR figure of EUR –640 million, compared to EUR –733 million presented in 2005. The reduction of the EaR figure in 2006 is mainly due to the fact that the EaR calculations have been changed this year in order to better align with the profit and loss account recognition under IFRS. This year's EaR calculations furthermore capture the convexity resulting from the embedded prepayment and offered rate options of the large Dutch mortgage portfolios.

The 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 not 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 the 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 are perfectly represented via the replicating methods and therefore fully hedged.

NPV-at-risk (1% instantaneous upward shock to market rates)

	2006
By Business Line	
ING Wholesale Banking	**–559**
ING Retail Banking	**–134**
ING Direct	**–377**
ING Bank Corporate Line	**–818**
ING Bank Total	**–1,888**
By Currency	
Euro	**–1,465**
US dollar	**–402**
Pound sterling	**–58**
Other	**37**
Total	**–1,888**

In line with the EaR calculations the interest rate scenario has also been changed for the NPV-at-Risk calculations. For comparison purposes the 2006 NPV-at-Risk numbers have also been calculated for the 2% shock scenario. The NPV-at-Risk under this scenario is EUR –4,261 million. Compared to the year end 2005 NPV-at-Risk of EUR –3,203 million, the NPV-at-Risk shows a large increase this year. The increase in the NPV-at-Risk numbers is mainly caused by ING Direct USA who has an increasingly convex interest rate risk position. In addition diversification effects between ING Direct Canada and other portfolios decreased, further increasing ING Direct's NPV-at-Risk. In practice the portfolio will be rebalanced in case of an upward interest rate move, significantly mitigating NPV losses.

FX 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-euro 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-euro results to euro. ING does not hedge the future euro value of projected results in non-euro currencies.

Risk management continued

FX Translation Result
ING's strategy is to protect the Tier 1 ratio against unfavourable currency fluctuations. The protection is largely achieved by the issuance of US dollar and Pound Sterling 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, Polisch zloty, Australian dollar and Canadian dollar are the main currencies in this respect. For other currencies the objective is to fully hedge the translation risk.

Overnight exposure ING Bank, for primary non-trading currencies

2006	**Foreign invest-ments**	**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**
Australian dollar	**1,048**		**1,048**	**–123**	**925**
Canadian dollar	**974**		**974**	**–704**	**270**
Other currency	**2,504**		**2,504**	**–2,422**	**82**
Total	**9,758**	**–3,777**	**5,981**	**–3,302**	**2,679**

Overnight exposure ING Bank, for primary non-trading currencies

2005	Foreign invest-ments	Tier-1	Gross exposure	Hedges	Net position
US dollar	4,562	–3,214	1,348	–701	647
Pound sterling	–1,247		–1,247	1,252	5
Polish zloty	809		809	–489	320
South Korean won	1,047		1,047	–955	92
Other currency	1,300		1,300	–1,192	108
Total	6,471	–3,214	3,257	–2,085	1,172

The table above shows that compared to 2005 larger net foreign exchange positions are held in the non-trading books. These net positions are held to protect the Tier 1 ratio against currency movements.

The amount of US dollar denominated risk-weighted assets increased substantially in 2006. In order to maintain the protection of the Tier 1 ratio, the net US dollar position increased accordingly.

Pound sterling denominated Tier-1 paper was issued in 2006 in order to better protect the Tier 1 ratio against movements in the GBP/EUR exchange rate.

ING Direct has expanded its activities in Australia and Canada. Consequently, the Australian and Canadian dollar are added to the list of main currencies, as presented in the table for 2006 above.

The same metric applied for the trading books (Value-at-Risk) is used to quantify and monitor the FX risk in the banking book.

Consolidated non-trading FX VaR ING Bank

	Low		High		Average		Year end	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
FX VaR	**7**	2	**22**	11	**17**	7	**21**	11

EQUITY PRICE RISK IN THE 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 substantial equity exposure in its banking books. This equity exposure mainly consists of the investments in associates of EUR 1,223 million (2005: EUR 1,188 million) and equity securities held in the Available-for-sale portfolio of EUR 1,898 million (2005: EUR 2,147 million). The value of equity securities held in the Available-for-sale portfolio is directly linked to equity security prices. 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.

LIQUIDITY RISK

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. Within ING Bank, ALCO Bank bears overall responsibility for the liquidity risk strategy. ALCO Bank has delegated day-to-day liquidity management to the Treasury Amsterdam, which is responsible for managing the overall liquidity risk position of ING Bank, while regional and local treasuries are responsible for managing liquidity in their respective regions and locations.

The main objective of ING's liquidity strategy is to maintain sufficient liquidity in order to ensure safe and sound operations. The liquidity strategy of ING Bank has four primary components.

The first component is day-to-day funding, which constitutes a policy to sufficiently spread the day-to-day funding requirements. The Treasury function monitors all maturing cash flows along with expected changes in core-business funding requirements. This includes replenishment of existing funds as they mature, expected withdrawals from retail current accounts, savings and additional borrowings. Furthermore, access to the capital markets is actively managed by regularly issuing public debt in all material markets and the maintenance of investor relations.

The second component is to maintain an adequate mix of funding sources. ING Bank aims for a well diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Sources of liquidity are widely distributed over the entire ING Bank. ING has a broad base of core retail funding, which mainly consists of current accounts, savings and retail deposits. Although these accounts can be withdrawn immediately or at short notice, the accounts are considered to form a stable resource of funding because of the broad customer base. The retail funding is, from a geographical point of view, widely spread, with most of the funding located in the euro zone.

The third component of ING's liquidity strategy is to maintain a broad portfolio of highly marketable assets that can be easily used to bear disruptions in the cash-flow profile. ING has relatively large portfolios of unencumbered marketable assets. These marketable assets can provide liquidity through repurchase agreements or through sale. The majority of ING's marketable assets are located in the euro zone.

The fourth component of ING's liquidity strategy is to have adequate and up-to-date contingency funding plans in place throughout the organisation. The contingency funding plans are established for addressing temporary and long term liquidity disruptions caused by a general event in the market or an ING specific event. These plans ensure that all roles and responsibilities are clearly defined and all necessary management information is in place. The main objective of ING's contingency funding plan is to enable senior management to act effectively and efficiently at times of crisis.

The key focus of the measurement of liquidity within ING is on the periods of one week and one month. The internally used liquidity figures are calculated in line with the regulatory reporting requirements for liquidity risk of the Dutch Central Bank. For this purpose, the positions are split by type of product and counterparty. All positions with a known maturity date are included in the maturity calendar based on their contractual maturity date. Positions with an unknown maturity date and marketable assets are included as items with a direct liquidity value. Standby facilities, undrawn irrevocable credit facilities, guarantees and other contingent liabilities are also included. The positions in the week and the month categories are weighted under a scenario that is a mix between a market event and an ING-specific event. The total available liquidity values are corrected for liquidity surpluses in inconvertible currencies and in locations with restrictions on capital transfer. Most of these inconvertible and non-transferable positions are located outside the euro zone. Under the regulatory guidelines, banks should at a minimum report positive liquidity figures. In addition to this a framework is implemented within ING Bank that sets limits on the overall weekly and monthly liquidity risk positions to ensure adequate buffers of liquidity.

Risk management continued

OPERATIONAL INFORMATION AND SECURITY RISK

General
The aim of the ING Bank and local Operational Information and Security Risk Management departments is to support general management of the business lines (first line of defence) which is responsible for managing operational information and security risk (hereafter referred to as operational risk). This is done by raising operational risk awareness and insight, increasing operational risk and loss transparency, improving early warning information and allocating risk ownership and responsibilities. This contributes to more stable business processes and lower operational risk costs. Furthermore, implementing an operational risk management function has led to more effective risk management and has prepared ING Bank for the Basel II regulations, applicable from 31 December 2007.

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

Risk Management Processes	Examples of Risk management Tools
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	• Operational Risk Committee • Audit Findings Action Tracking • Key Risk Indicator Reporting • Operational Risk Dashboard
Risk Mitigation	• New Product Approval Process • (Information) Security plans & implementation • Crisis management & Business Continuity Planning

ING Bank is promoting effective management of operational risk (ORM) by requiring business units to demonstrate that the appropriate steps have been taken to control operational risk. ING Bank applies scorecards for this purpose. The purpose of the semi-annual scorecards is to measure the quality of ORM processes within a business. Scoring is based on the ability to demonstrate that the required risk management processes (risk governance, identification, measurement, monitoring and mitigation) 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 ORM and the control measures taken.

The scorecard consists of five modules that supplement each other:

Risk Management Process	Focus
Risk Governance	Clear allocation of responsibilities
Risk Identification	Early identification of key risks and mitigation
Risk Measurement	Risk cost transparency and risk awareness
Risk Monitoring	Ongoing steering information
Risk Mitigation	Management responsiveness

The overall scorecard outcome showed good progress in 2006 in all business lines. During 2006, operational, information and security risk as well as compliance requirements were integrated in the scorecard.

Measurement
Operational risk (OR) is expressed as the amount of operational risk capital required for a business line as calculated using the OR capital model. This 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. 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 & Officers Liability, Employment Practices Liability and Fiduciary Liability. ING Bank retains a portion of these risks that matches industry practice.

Developments in 2006

ING Bank has now completed the embedding of its product approval process for new and amended products in all business units. Also during 2006, ING Bank reached full coverage of the risk management systems for action tracking, incident management and scorecard evidencing within all ING Bank entities.

Basel II

ING Bank is preparing for the Basel II implementation through its Basel II group program (including the Basel II project for operational risk). ING Bank is preparing to qualify for the Advanced Measurement Approach (most advanced method) for calculating operational risk capital on a consolidated level and is well positioned to meet the operational risk requirements of Basel II on time.

CORPORATE COMPLIANCE

Financial institutions in general are coming under closer scrutiny by society to ensure they comply with laws, regulations, standards and expectations. Bank regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinise payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulators and other authorities have the power to bring administrative or judicial proceedings against ING Bank, which could result, amongst other things, in suspension or revocation of ING Bank's licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm ING Bank's results of operations and financial condition.

Like many other large international financial institutions, ING engages and in the past has engaged in a limited amount of business with counterparties, including government or government-related counterparties, in countries such as Cuba, Iran and Syria, countries which have been identified as state sponsors of terrorism by the US State Department and subject to sanctions by various government agencies. ING does not believe that its revenues in such countries are or have been material to its overall business. In light of increased scrutiny of transactions involving such countries on the part of US and non-US regulatory authorities, investors and the media, as well as initiatives on the part of various institutions to adopt or enforce laws or regulations prohibiting transactions with or requiring divestment from entities doing business with such countries, ING is continuing to significantly strengthen its compliance function generally as ING has done in 2006.

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, the United States 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, which is ongoing, ING Bank N.V. has been reporting to DNB and it is not possible to predict at this time the outcome thereof. ING Bank N.V. is committed to proactively addressing any issues raised by the review.
On July 28, 2006, The Office of Foreign Asset Controls ('OFAC') of the U.S. Department of Treasury added the Netherlands Caribbean Bank ('NCB'), a bank chartered in the Netherlands Antilles that is jointly owned by ING and by two entities that are Cuban nationals, to its list of Specially Designated Nationals as a Cuban national. Such designation prohibits U.S. persons and non-U.S. subsidiaries of U.S. companies from dealing with NCB.

A priority for ING Bank during 2006 has been to increase compliance awareness and to implement the ING Group Compliance Policy. The implementation of the ING Group Compliance Policy has been a key performance target for all senior managers. Senior management received updates on compliance related issues and on the progress made in implementing the policy. Further embedding in procedures and processes in the organisation has high priority to be completed in 2007.

Another initiative ING Group undertook during 2006 to increase compliance awareness was the allocation of 130 extra Full Time Equivalents (FTEs) employees to Compliance, increasing the number of dedicated compliance FTEs on ING Group level to around 700. As well Compliance and Operational Risk Management have an established governance structure in which the ING Group Audit Committee is informed regularly about any incidents with a major financial and compliance impact. The incident reporting process provides information on financial and compliance incidents on a timely basis. The ING Group Executive Board continued to emphasise the importance of compliance in internal conferences and interviews. Additional 2006 compliance initiatives included a mandatory compliance e-learning course for all Netherlands employees and regional compliance conferences.

Risk management continued

In 2006, in the context of changing legislation, regulation and regulatory scrutiny, ING revised amongst other policies its Financial Economic Crime Policy to comply with the third EU Anti-Money Laundering directive and other applicable laws and regulations. As a result of the revision of the Financial Economic Crime Policy, a review of all customer files to assist ING to prevent its businesses and systems from being used to launder money or finance terrorist activities, is in progress. An additional benefit of reviewing customer files is that increased knowledge of its customers enables ING to provide services that are better tailored to customer needs.

Within the Retail Banking segment compliance related costs were EUR 85 million. In order to comply with legal requirements the Dutch Retail Banking entities alone spent approximately EUR 50 million of the total amount on the identification of (existing) customers, improving the customer identification process and establishing risk profiles of existing and new customers. As well as operational changes training programs were developed and ongoing implementation programs commenced.

Expenses in the Wholesale Banking segment were adversely impacted in 2006 by compliance related costs of EUR 79 million. These expenses are related to investments in and improvements to compliance and customer identification process and systems, including the ongoing review ING Bank has undertaken following the discussions with DNB concerning transactions involving countries subject to sanctions.

AUTHORISATION OF ANNUAL ACCOUNTS

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
Eric Bourdais de Charbonnière, *Vice-Chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Jan H.M. Hommen
Piet C. Klaver
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Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

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Cees Maas, *Vice-Chairman and CFO*
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Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
Jacques M. de Vaucleroy

Parent company balance sheet of ING Bank as at 31 December
before profit appropriation

amounts in millions of euros	2006	2005
ASSETS		
Cash and balances with central banks 1	5,424	5,172
Short-dated government paper 2	2,741	8,702
Amounts due from banks 3	214,857	45,514
Loans and advances to customers 4	129,020	218,971
Debt securities: 5		
– available-for-sale	17,120	20,469
– trading	28,064	21,826
Equity securities: 6		
– available-for-sale	1,059	1,150
– trading	7,791	4,813
Investments in group companies 7	25,299	25,131
Investments in associates 8	39	28
Intangible assets 9	27	44
Equipment 10	32	251
Other assets 11	25,646	24,110
Total assets	457,119	376,181
LIABILITIES		
Amounts due to banks 12	245,862	119,877
Customer deposits and other funds on deposit 13	61,090	136,694
Debt securities in issue	51,770	39,838
Other liabilities 14	57,353	39,492
General provisions 15	1,119	1,390
Subordinated loans 16	19,193	18,142
Total liabilities	436,387	355,433
EQUITY		
Share capital	525	525
Share premium	6,992	6,992
Share of associates reserve	45	47
Currency translation reserve	42	183
Other reserves	9,358	9,080
Net profit	3,770	3,921
Total equity 17	20,732	20,748
Total liabilities and equity	457,119	376,181

References relate to the notes starting on page 104 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	**2006**	2005	2004
Result of group companies after taxation	**4,398**	3,330	2,290
Other results after taxation	**–628**	591	154
Net profit	**3,770**	3,921	2,444

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 2005	11,898	525	6,992	103	–300	4,578
Impact IAS 32/39	2,302					2,302
Unrealised revaluations after taxation	266			–56		322
Realised gains/losses transferred to profit and loss	–147					–147
Unrealised revaluations from cash flow hedges	238					238
Employee stock options and share plans	27					27
Exchange rate differences	483				483	
Other changes	17					17
Profit appropriation previous year	2,444					2,444
Cash dividend	–701					–701
Balance as at 31 December 2005	16,827	525	6,992	47	183	9,080
Unrealised revaluations after taxation	**–1,066**				**119**	**–1,185**
Realised gains/losses transferred to profit and loss	**–184**					**–184**
Unrealised revaluations from cash flow hedges	**–423**					**–423**
Employee stock options and share plans	**52**					**52**
Exchange rate differences	**–260**				**–260**	
Other changes	**–105**			**–2**		**–103**
Profit appropriation previous year	**3,921**					**3,921**
Cash dividend	**–1,800**					**–1,800**
Balance as at 31 December 2006	**16,962**	**525**	**6,992**	**45**	**42**	**9,358**

Other reserves include Revaluation reserve of EUR 2,470 million (2005: EUR 4,262 million) and Retained earnings of EUR 6,888 million (2005: EUR 4,818 million).

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.

CHANGES IN 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 in 2006 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform with the current period presentation. None of the changes are significant in nature.

CHANGES IN ORGANISATIONAL STRUCTURE ING BANK

On 1 January 2006 the economic ownership of assets and liabilities of ING Bank N.V. relating to banking operations in the Netherlands were transferred to a new wholly-owned subsidiary ING Bank Nederland N.V. Legal title remained with ING Bank N.V. Assets and liabilities relating to banking operations outside the Netherlands remained in ING Bank N.V. As a result, certain transactions with regard to the Dutch banking activities changed from intercompany transactions within ING Bank N.V. to transactions with ING Bank Nederland N.V. Consequently, amounts due to and due from banks and certain other balance sheet items in the parent company accounts of ING Bank N.V. have increased significantly compared to 2005.

As a result of the business being transferred into ING Bank Nederland N.V. loans and advances to customers and customer deposits and other funds on deposit have decreased significantly compared to 2005.

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 5,347 million (2005: EUR 5,172 million).

2 SHORT-DATED GOVERNMENT PAPER

Short-dated government paper includes international government paper amounting to EUR 2,741 million (2005: EUR 8,702 million) for the company.

3 AMOUNTS DUE FROM BANKS

Amounts due from banks

	2006	2005
Non-subordinated receivables from:		
Group companies	**189,094**	14,550
Third parties	**23,692**	28,150
	212,786	42,700
Subordinated receivables from:		
Group companies	**2,020**	2,763
Third parties	**51**	51
	214,857	45,514

As at 31 December 2006, amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 18,494 million (2005: EUR 14,402 million).

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers – subordinated and non-subordinated

	2006	2005
Non-subordinated receivables from:		
ING Groep N.V.	**2,302**	4,818
Group companies	**74,440**	64,158
Third parties	**52,278**	149,956
	129,020	218,932
Subordinated receivables from:		
Group companies		4
Third parties		35
	129,020	218,971

As at 31 December 2006, assets held under finance lease contracts amounted to nil (2005: EUR 274 million).

As at 31 December 2006, the receivables included in Loans and advances to customers that are part of the trading portfolio amounted to EUR 28,658 million (2005: EUR 18,193 million).

Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 28,577 million (2005: EUR 20,066 million) for the company.

5 DEBT SECURITIES

Debt securities by issuer

	2006	2005
Public sector	**26,108**	26,538
Other	**19,076**	15,757
	45,184	42,295

Debt securities analysed by listing

	2006	2005
Listed	**42,796**	33,446
Unlisted	**2,388**	8,849
	45,184	42,295

Debt securities – subordinated and non-subordinated

	2006	2005
Non-subordinated debt securities issued by:		
Associates		141
Group companies	**1,523**	1,870
Third parties	**43,578**	40,284
	45,101	42,295
Subordinated debt securities issued by:		
Third parties	**83**	
	45,184	42,295

Changes in debt securities (available-for-sale)

	2006	2005
Opening balance	**20,469**	15,517
Implementation IAS 32/39		2,448
Additions	**3,435**	5,283
Changes in the composition of the group	**–897**	
Gains/(losses) from change in fair value	**–760**	127
Disposals and redemptions	**–4,818**	–3,440
Exchange rate differences	**–59**	95
Other changes	**–250**	439
Closing balance	**17,120**	20,469

As at 31 December 2006, the cost of the trading debt securities amounted to EUR 28,064 million (2005: EUR 21,826 million).

As at 31 December 2006, an amount of EUR 15,577 million (2005: EUR 17,971 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 12,236 million as at 31 December 2006 (2005: EUR 12,510 million).

Borrowed debt securities are not recognised in the balance sheet and amount to nil (2005: EUR 47 million) as at 31 December 2006.

Notes to the parent company balance sheet of ING Bank continued

6 EQUITY SECURITIES

Equity securities analysed by listing

	2006	2005
Listed	**8,626**	5,718
Unlisted	**224**	245
	8,850	5,963

Changes in available-for-sale equity securities

	2006	2005
Opening balance	**1,150**	438
Additions	**22**	201
Changes in the composition of the group	**–37**	
Gains/(losses) from change in fair value	**–20**	426
Disposals		–22
Exchange rate differences	**–44**	78
Other changes	**–12**	29
Closing balance	**1,059**	1,150

As at 31 December 2006, the cost or purchase price of the shares in the trading portfolio approximates their fair value (2005: nil). As at 31 December 2006, the cost or purchase price of shares in the available-for-sale portfolio was EUR 410 million lower (2005: EUR 248 million lower) than the carrying amount.

7 INVESTMENTS IN GROUP COMPANIES

Investments in group companies

	Interest held (%)	Balance sheet value	Interest held (%)	Balance sheet value
		2006		2005
Name of investee:				
ING Bank Nederland N.V.	**100**	**2,420**		
ING België N.V.	**100**	**8,476**	100	6,717
ING Direct N.V.	**100**	**5,323**	100	5,137
ING Financial Holdings Corporation (Holding U.S. entities)	**100**	**4,190**	100	4,325
ING Real Estate Management Holding B.V.	**100**	**2,297**	100	1,912
Postbank N.V.			100	2,445
Bank Slaski S.A.	**75**	**693**	75	652
‘t Oye Deventer B.V.			100	626
ING Lease Top Holding B.V.			100	433
Other (including financing companies)		**1,900**		2,884
		25,299		25,131

As at 31 December 2006, Investments in group companies included credit institutions of EUR 17,878 million (2005: EUR 16,336 million). As at 31 December 2006, listed investments in group companies amounted to EUR 693 million (2005: EUR 652 million).

Changes in investments in group companies

	2006	2005
Opening balance	**25,131**	20,807
Additions	**2,782**	188
Revaluations	**–1,412**	2,089
Results from group companies	**4,398**	3,330
Cash dividends received	**–160**	–1,208
Disposals	**–4,810**	–263
Exchange rate differences	**–546**	853
Other changes	**–84**	–665
Closing balance	**25,299**	25,131

Additions and disposals have increased significantly as a result of the transfer of assets and liabilities as described in 'Changes in organisational structure ING Bank'.

8 INVESTMENTS IN ASSOCIATES

Investments in associates

	Interest held (%)	**Balance sheet value**	Interest held (%)	Balance sheet value
		2006		2005
Name of investee:				
Atlas Investeringsgroep N.V.	**33**	**1**	33	1
Atlas Investors Partnership III C.V.	**21**	**3**	21	4
Interpay Nederland			30	14
Equens	**19**	**23**		
Currence (formerly Brands & Licenses betalingsverkeer Nederlands Holding B.V.)	**30**	**2**	30	2
		29		21
Receivables from associates		**10**		7
		39		28

Changes in associates

	Investments in associates		Receivables from associates			Total
	2006	2005	**2006**	2005	**2006**	2005
Opening balance	**21**	22	**7**	7	**28**	29
Additions		4	**3**		**3**	4
Share of results	**12**	3			**12**	3
Cash dividends received		–9				–9
Exchange rate differences	**–1**	1			**–1**	1
Other changes	**–3**				**–3**	
Closing balance	**29**	21	**10**	7	**39**	28

Notes to the parent company balance sheet of ING Bank continued

9 INTANGIBLE ASSETS

Changes in intangible assets

	Goodwill		Software		Total	
	2006	2005	**2006**	2005	**2006**	2005
Opening balance	**20**	12	**24**	30	**44**	42
Additions		8	**7**	20	**7**	28
Changes in the composition of the group			**–20**		**–20**	
Depreciation			**–3**	–20	**–3**	–20
Disposals			**–1**	–6	**–1**	–6
Closing balance	**20**	20	**7**	24	**27**	44

10 EQUIPMENT

Changes in equipment

	2006	2005
Opening balance	**251**	261
Additions	**12**	130
Changes in the composition of the group	**–220**	
Depreciation	**–11**	–135
Disposals	**–3**	–7
Exchange rate differences	**1**	3
Other changes	**2**	–1
Closing balance	**32**	251
Gross carrying amount as at 31 December	**128**	693
Accumulated depreciation as at 31 December	**–96**	–442
Net book value	**32**	251

11 OTHER ASSETS

Other assets by type

	2006	2005
Derivatives	**16,209**	12,864
Deferred tax assets	**123**	128
Income tax receivable	**1,257**	939
Accrued interests and rents	**7,330**	5,698
Other accrued assets	**160**	192
Pension asset	**246**	
Other receivables	**321**	4,289
	25,646	24,110

As at 31 December 2006, an amount of EUR 1,768 million (2005: EUR 1,998 million) was expected to be settled after more than one year from the balance sheet date.

LIABILITIES AND EQUITY

12 AMOUNTS DUE TO BANKS

Amounts due to banks by group companies and third parties

	2006	2005
Group companies	**162,686**	35,813
Third parties	**83,176**	84,064
	245,862	119,877

13 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

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

	2006	2005
Group companies	**14,763**	14,820
Third parties	**46,327**	121,874
	61,090	136,694

Customer deposits and other funds on deposit by type

	2006	2005
Savings accounts	**820**	14,121
Credit balances on customer accounts	**3,630**	58,685
Corporate time deposits	**41,577**	51,329
Other	**15,063**	12,559
Customer deposits and other funds on deposit	**61,090**	136,694

14 OTHER LIABILITIES

Other liabilities

	2006	2005
Derivatives	**14,726**	11,782
Trading liabilities	**24,627**	13,387
Accrued interest	**15,940**	13,896
Costs payable	**285**	334
Income tax payable	**30**	89
Other taxation and social security contribution	**16**	–21
Other amounts payable	**1,729**	25
	57,353	39,492

As at 31 December 2006, an amount of EUR 989 million (2005: EUR 1,195 million) was expected to be settled after more than one year from the balance sheet date.

As at 31 December 2006, Other liabilities includes an amount of EUR 7.91 for seven preference shares with a par value of EUR 1.13 each (2005: EUR 7.91).

Notes to the parent company balance sheet of ING Bank continued

15 GENERAL PROVISIONS

General provisions

	2006	2005
Deferred tax payable	**724**	148
Pension liabilities and other staff-related liabilities	**14**	583
Reorganisations and relocations	**36**	242
Other	**345**	417
	1,119	1,390

As at 31 December 2006, an amount of EUR 1,048 million (2005: EUR 1,219 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

	2006	2005
Group companies	**400**	6,164
Third parties	**18,793**	11,978
	19,193	18,142

Subordinated loans by type

	2006	2005
Capital debentures	**12,949**	11,734
Private loans	**6,244**	6,408
	19,193	18,142

17 EQUITY

Capital and reserves

	2006	2005
Share capital	**525**	525
Reserves	**16,437**	16,302
Profit available for distribution	**3,770**	3,921
Capital and reserves	**20,732**	20,748

Reserves include revaluation reserves of EUR 2,470 million (2005: EUR 4,262 million), share premium reserves of EUR 6,992 million (2005: EUR 6,992 million), reserve for associates of EUR 45 million (2005: EUR 47 million), currency translation reserve of EUR 42 million (2005: EUR 183 million) and retained earnings of EUR 6,888 million (2005: EUR 4,818 million).

Share capital

	Ordinary shares (par value EUR 1.13) Number x 1,000	**Amount**	Ordinary shares (par value EUR 1.13) Number x 1,000	Amount
		2006		2005
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 2005 and 2006.

Revaluation reserve

2006	Available for sale reserve	Cash flow hedge reserve	Property in own use reserve	Real estate invest-ments reserve	Total
Opening balance	**2,713**	**1,077**	**362**	**110**	**4,262**
Unrealised revaluations	**–1,274**	**–423**	**24**	**65**	**–1,608**
Realised transferred to profit and loss	**–184**				**–184**
Other changes		**1**	**–1**		
Closing balance	**1,255**	**655**	**385**	**175**	**2,470**

Revaluation reserve

2005	Available for sale reserve	Cash flow hedge reserve	Property in own use reserve	Real estate invest-ments reserve	Total
Opening balance	64		322	69	455
Implementation IAS 32/39	2,570	839			3,409
Unrealised revaluations	226	238	40	41	545
Realised transferred to profit and loss	–147				–147
Closing balance	2,713	1,077	362	110	4,262

Retained earnings

	2006	2005
Opening balance	**4,818**	4,123
Implementation IAS 32/39		–1,107
Unrealised revaluations after taxation		15
Employee stock option and share plans	**52**	27
Other changes	**–103**	17
Profit appropriation previous year	**3,921**	2,444
Dividend	**–1,800**	–701
Closing balance	**6,888**	4,818

The Revaluation reserve, Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the revaluation reserve on a net basis. Retained earnings can be freely distributed. 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.

The total amount of Equity in the parent company annual account differs from the Shareholders' equity (parent) in the consolidated annual accounts by an amount of EUR 566 million (2005: EUR 583 million) due to the Stichting Regio Bank being included in the consolidated annual accounts but not in the parent company annual accounts.

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

18 MATURITY OF CERTAIN ASSETS AND LIABILITIES

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**

Analysis of certain assets and liabilities by maturity

2005	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	12,436	2,167	4,780	8,008	5,921	12,202	45,514
Loans and advances to customers	74,524	18,811	14,691	21,401	71,351	18,193	218,971
LIABILITIES							
Amounts due to banks	47,279	13,185	10,855	13,139	7,689	27,730	119,877
Customer deposits and other funds on deposit	108,605	4,798	4,968	2,677	4,855	10,791	136,694
Debt securities in issue	14,494	9,613	1,488	4,455	1,125	8,663	39,838
Subordinated loans		471	197	3,665	13,809		18,142

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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Investments	**2,324**	3,289					**2,324**	3,289
Lending		524			**79**	72	**79**	596
Banks			**602**	407			**602**	407
Other assets	**244**	355		26	**23**	40	**267**	421
	2,568	4,168	**602**	433	**102**	112	**3,272**	4,713

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

20 CONTINGENT LIABILITIES

Contingent liabilities by type

	2006	2005
Guarantees	5,381	24,029
Irrevocable letters of credit	1,246	4,286
Other	114	282
Contingent debts	6,741	28,597
Irrevocable facilities	19,342	32,715
	26,083	61,312

Contingent debts

	2006	2005
Group companies	1,129	15,291
Third parties	5,612	13,306
	6,741	28,597

Irrevocable facilities

	2006	2005
Group companies	594	886
Third parties	18,747	31,829
	19,341	32,715

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.

Amsterdam, 12 March 2007

THE SUPERVISORY BOARD

Cor A.J. Herkströter, *Chairman*
Eric Bourdais de Charbonnière, *Vice-Chairman*
Luella Gross Goldberg
Paul F. van der Heijden
Claus Dieter Hoffmann
Jan H.M. Hommen
Piet C. Klaver
Wim Kok
Godfried J.A. van der Lugt
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *Chairman*
Cees Maas, *Vice-Chairman and CFO*
Eric F. Boyer de la Giroday
Dick H. Harryvan
Eli P. Leenaars
Tom J. McInerney
Hans van der Noordaa
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 2006 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 2006, the profit and loss account, statement of changes in equity and cash flow statement 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 2006, the company profit and loss account 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 management board report 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 our 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 2006 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 2006 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 management board report is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 12 March 2007

KPMG ACCOUNTANTS N.V.

F. van der Wel 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	**3,770**
Add to Other reserves	**1,968**
Add to share of associates reserve	**2**
Cash dividend to holders of ordinary shares	**1,800**

DISCLAIMER

Certain of the statements contained in this Annual Report are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING Bank's core markets, (ii) performance of financial markets, including emerging markets, (iii) interest rate levels, (iv) currency exchange rates, (v) general competitive factors, (vi) changes in laws and regulations, and (vii) changes in the policies of governments and/or regulatory authorities. ING Bank assumes no obligation to update any forward-looking information contained in this document.

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