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2005

ING Bank

Annual Report

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ING Bank N.V.,
ING House, Amstelveenseweg 500, 1081 KL Amsterdam
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Telephone: +31 20 5415411
Telefax: +31 20 5415444

Internet: www.ing.com

Commercial Register of Amsterdam, nr. 33031431

ING BANK IS PART OF ING GROUP

ING GROUP

Profile
ING is a global financial services company with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. Our 115,000 employees work daily to satisfy a broad customer base: individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalisation, ING is one of the 15 largest financial institutions worldwide and in the top-10 in Europe.

Business
ING is a major financial services company in the Benelux home market. ING services its retail clients in these markets with a wide range of retail-banking, insurance and asset management products. In our wholesale banking activities we operate worldwide, but with a primary focus on the Benelux countries. In the United States, ING is a top-10 provider of retirement services and life insurance, based on sales and assets under management. In Canada, we are the top property and casualty insurer based on direct written premium. ING Direct is a *leading* direct bank with 15 million customers in 9 countries. In the growth markets of Asia, Central Europe and Latin America we provide life insurance. We are also a large asset manager with assets under management of almost EUR 550 billion. ING Real Estate is the largest property company in the world, based on its total business portfolio.

Mission
We strive to deliver our financial products and services in the way our customers expect: with exemplary service, maximum convenience and at competitive rates. This is reflected in our mission statement: to set the standard in helping our customers manage their financial future.

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

ING BANK

Wholesale Banking
Conducts all the global wholesale banking operations. Wholesale Banking offers a full range of products to corporates and institutions in the home markets in the Benelux countries. Elsewhere, it follows a more selective and focused client and product approach. A separate activity is ING Real Estate, the world's largest property company.

Retail Banking
Offers retail banking services in the Netherlands, Belgium, 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 individual clients in Australia, Canada, France, Germany, Austria, Italy, Spain, the United Kingdom and the United States. The main products offered are savings and mortgages. A separate activity is ING Card, which manages a credit-card portfolio within the Benelux and Germany.

CONTENTS

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. during 2005 was as follows:

THE SUPERVISORY BOARD

Alexander Rinnooy Kan, *chairman*
Anneke van Doorne-Huiskes
Kees Izeboud
Eli Leenaars
Hanja Maij-Weggen
Rudy van der Meer

THE EXECUTIVE BOARD

Jan Zegering Hadders*, chairman*
Dick Boot*, Chief Financial Officer*
Wilbert Buiter
Sjaak de Graaf (*as of 1 September 2005)*
Henk Kruidenier *(until 1 September 2005)*
Hans van der Noordaa
Ludo Wijngaarden

As of 7 February 2006 the composition of the Executive Board and the Supervisory Board is as follows:

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
Wim Kok
Godfried J.A. van der Lugt
Paul J.A. Baron de Meester
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, c*hairman*
Cees Maas, *vice-chairman and Chief Financial Officer*
Eric F. Boyer de la Giroday
Fred S. Hubbell
Eli P. Leenaars
Alexander H.G. Rinnooy Kan
Hans K. Verkoren

TO THE SHAREHOLDER,

THE SUPERVISORY BOARD HEREBY PRESENTS YOU THE 2005 ANNUAL REPORT OF ING BANK N.V. THE 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 2005 is proposed of EUR 700 million. This amount has already been paid as interim dividend to the holders of ordinary shares.

Meetings

The Supervisory Board held four meetings in 2005. The meetings were mainly dedicated to the financial results, quality of internal control, compliance and operational risk management. Other topics were the negotiations with the Dutch labour unions about a new collective labour agreement, employability of staff and outsourcing.

Composition of the Supervisory Board

The composition of the Supervisory Board did not change in 2005. In February 2006, the composition of the Supervisory Board has changed and is now the same as the Supervisory Board of ING Groep N.V.

Composition of the Executive Board

Henk Kruidenier retired from ING Bank's Executive Board as of 1 September 2005. Sjaak de Graaf joined the Executive Board on 1 September 2005. In February 2006, the composition of the Executive Board has changed and is now the same as the Executive Board of ING Groep N.V.

At the 2006 Annual General Meeting of Shareholders (AGM) three Executive Board members will resign, while four new members will be proposed for appointment. Fred Hubbell and Hans Verkoren elected to retire from ING, while Alexander Rinnooy Kan will leave ING to take up a new position as the chairman of the Social and Economic Council of the Netherlands. Dick Harryvan (1953, Dutch), Tom McInerney (1956, American), Hans van der Noordaa (1961, Dutch) and Jacques de Vaucleroy (1961, Belgian) are the new Executive Board members, to be appointed by the 2006 Annual General Meeting of Shareholders.
In the 2006 Annual General Meeting of Shareholders Aad Jacobs and Paul Baron de Meester will retire, while Cor Herkströter and Karel Vuursteen are eligible for reappointment. At the same AGM, Piet Klaver (1945, Dutch) will be nominated for appointment.

Amsterdam, 6 March 2006

THE SUPERVISORY BOARD

GENERAL

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

MAIN DEVELOPMENTS

ING Bank's operations showed a strong profit increase in 2005, driven by solid growth at ING Direct and Retail Banking as well as historically low additions to the provision for loan losses (risk costs). Total profit before tax increased 43.3% to EUR 4,876 million. Total income rose 9.1%, driven by growth at Retail Banking and ING Direct. Total operating expenses increased 0.7% to EUR 8,855 million, as divestments largely offset the impact of consolidations, higher labour costs and one-off expenses.

Additions to the provision for loan losses were at historically low levels, supported by releases of provisions at Wholesale Banking. Total risk costs amounted to 3 basis points of average credit-risk-weighted assets, compared with 18 basis points in 2004. Continued attention on cost control as well as the strong growth in income resulted in an improvement in the cost/income ratio to 64.1% from 69.5%, despite continued investments for growth at ING Direct and other units.

On an underlying basis, i.e. excluding the impact of divestments and special items, profit before tax rose 26.7% to EUR 4,491 million.

Effective 1 January 2006, the following changes have taken place. The Dutch 'structuurregime' is no longer applicable to ING Bank N.V. The economic ownership of assets and liabilities of ING Bank N.V. relating to the banking operations in the Netherlands were transferred to a new wholly-owned subsidiary of ING Bank N.V. The legal title will remain with ING Bank N.V.

WHOLESALE BANKING

Underlying profit before tax

Underlying profit before tax from Wholesale Banking rose 8.8% to EUR 2,276 million, driven by higher income from Structured Finance, Leasing and ING Real Estate, as well as a release of loan loss provisions due to a benign credit environment and improved risk management. Gains on divestments contributed EUR 317 million to profit before tax in 2005, while divestments in 2004 resulted in a loss of EUR 166 million. Divested units contributed EUR 6 million to profit before tax in 2005, compared with EUR 60 million in 2004. Results in 2004 also included a restructuring provision of EUR 41 million for the international Wholesale Banking network. Including those items, total profit before tax rose 33.6% to EUR 2,599 million.

Income

Total income increased 1.5% to EUR 5,957 million. Excluding divestments, underlying income rose 4.8% to EUR 5,579 million, driven by the international Wholesale Banking activities in the U.K., the Americas and Central & Eastern Europe, growth of Leasing as well as a 16.2% increase in income from ING Real Estate. Underlying interest income declined 2.3% to EUR 2,923 million due to pressure on margins. Commission income rose 6.9% on an underlying basis to EUR 1,146 million, due to higher management fees at ING Real Estate, while Other income rose 19.7% to EUR 1,510 million, supported by gains on the sale of equity investments and fair value changes on non-trading derivatives.

Expenses

Operating expenses declined 7.2% to EUR 3,466 million, due entirely to the divestments of the Asian cash equities business, CenE Bankiers, parts of BHF-Bank, and Baring Asset Management. Excluding divestments, underlying operating expenses increased 12.1% to EUR 3,411 million, due in part to non-recurring items such as EUR 103 million in provisions taken in Belgium in 2005, EUR 12 million in restructuring costs for initiatives to improve efficiency in the IT organisation and EUR 78 million in impairment losses on development projects at ING Real Estate. Those items were partially offset by EUR 36 million in releases of provisions for employee benefits following legislative changes in the Netherlands related to healthcare and pensions. Excluding all non-recurring items and adjusted for exchange-rate differences, recurring operating expenses of Wholesale Banking increased 6.3%. The underlying cost/income ratio deteriorated to 61.1% from 57.1% as a result of the non-recurring costs above. The average number of wholesale staff decreased 13.3% to 20,800, mainly due to divestments.

The addition to the provision for loan losses declined from EUR 192 million in 2004 to a net release of EUR 108 million in 2005, due to improvements in the credit environment and the limited inflow of large new problem loans. Only the Wholesale Banking activities in the Netherlands showed an addition to loan loss provisions in 2005. The net release equalled -7 basis points of average credit-risk-weighted assets compared with an addition of 12 basis points in 2004.

RETAIL BANKING

Underlying profit before tax

Underlying profit before tax from Retail Banking rose 55.4% to EUR 1,815 million, driven by strong growth in the home markets of the Benelux. Double-digit top-line growth was driven by savings and mortgages in Belgium and the Netherlands, including higher prepayment penalties on mortgages as clients refinanced to take advantage of low interest rates. Risk costs declined as a result of the benign credit environment as well as releases in Belgium and Poland as the quality of the credit portfolio improved. Cost containment measures and strong income growth resulted in an improvement in the cost/income ratio, while continued focus on profitable growth led to a further increase in the risk-adjusted return on capital. Divestments in 2005 contributed EUR 62 million to profit before tax, representing Retail Banking's portion of the gain on the sale of a 12.8% stake in ING Bank Slaski in Poland, taking ING's stake to 75%. The divested retail banking activities of BHF-Bank contributed EUR 7 million to profit in 2004. Including those items total profit before tax rose 59.7% to EUR 1,877 million.

Income

Total income increased 14.5% to EUR 5,796 million, driven mainly by higher income from mortgages and savings in the Netherlands and growth from savings, current accounts and structured notes in Belgium. Excluding the impact of divestments, income growth was also affected by the proportional (50%) consolidation of Postkantoren BV in the Netherlands from January 2005 (which had no impact on total profit) and the EUR 48 million loss taken in the first quarter of 2004 on a unit-linked mortgage product in the Netherlands. Excluding those items, total income rose a healthy 11.1%.

Expenses

Expenses were well under control in 2005. Operating expenses increased 3.4% to EUR 3,829 million. Underlying operating expenses rose 5.7%, mainly due to the consolidation of Postkantoren BV, as well as EUR 33 million in one-off costs related to the announced efficiency programme for the Operations & IT activities in the Benelux, and EUR 27 million in accelerated software depreciation in the Netherlands. Excluding those items, operating expenses decreased slightly as the impact of the new labour agreement in the Netherlands was offset by a release of EUR 83 million from provisions following legislative changes in the Netherlands related to healthcare and pensions.

Excluding all non-recurring items and adjusted for exchange rate differences, recurring operating expenses of Retail Banking increased 0.5%, even including investments to expand in Romania, Poland, India and Private Banking. The cost/income ratio improved to 66.1% from 73.2%. The average number or retail staff rose 6.1% to 36,400, reflecting the consolidation of Postkantoren BV and growth in Poland, Romania and India.

The addition to the provision for loan losses declined 51.1% to EUR 90 million from EUR 184 million, mainly due to releases in Belgium and Poland. The addition equalled 11 basis points of average credit-risk-weighted assets compared with 25 basis points in 2004.

ING DIRECT

Underlying profit before tax

Profit before tax from ING Direct rose 41.8% to EUR 617 million, driven by the continued strong growth of the business. ING Direct added 3.2 million new customers, bringing the total at year-end 2005 to 14.7 million, and welcomed its 15 millionth customer worldwide in January 2006. Funds entrusted grew by EUR 42.6 billion, supported in part by positive currency impacts, which accounted for EUR 6.5 billion of the increase. Total funds entrusted reached EUR 188.0 billion at the end of December. In addition, off-balance funds entrusted, which are mainly mutual funds and brokerage accounts, almost doubled to EUR 10.8 billion from EUR 5.7 billion.

The mortgage portfolio increased by EUR 21.8 billion, or 65.9%, to EUR 54.9 billion at year-end 2005. The risk-adjusted return on equity and the cost/income ratio both improved as ING Direct units benefited from increased scale.

Income

Total income rose 24.0% to EUR 2,119 million, mainly driven by a 21.1% increase in the interest result due to the continued strong growth in funds entrusted. The total interest margin in 2005 narrowed to 0.86% from 0.98% in 2004, mainly caused by a flattening of the yield curve and the strategic decision to maintain competitive client rates in favour of stimulating growth. The impact on profit was mitigated by a lower operational cost base.

Expenses

Operating expenses rose 17.8% to EUR 1,396 million, reflecting investments to support the continued growth of the business, notably in mortgage distribution. Nonetheless, the cost/income ratio improved to 65.9% from 69.3% in 2004, and the operational cost base (excluding marketing expenses) improved to a better-than-expected 0.40% of total assets compared with 0.44% in 2004. The average number of full-time employees in 2005 rose to 6,500 from 5,300 in 2004, mainly due to expansion in Germany, the U.S. and the U.K. Total marketing expenses were up 12.5%, increasingly focused on mortgages.

The addition to the provision for loan losses increased 19.1% to EUR 106 million. The addition equalled 17 basis points of average credit-risk-weighted assets, down from 22 basis points in 2004 as the probability of default diminished.

LOOKING AHEAD

In 2005, ING Bank was confronted with low interest rates and a flattening yield curve, but also benefited from some favourable market conditions, including strong equity and real-estate markets, historically low credit losses for both bank lending and fixed-income investments and low taxes. Looking ahead, the interest-rate environment will remain challenging, while risk costs are expected to return gradually to more normal levels. However, ING Bank has confidence in the growth of the underlying business and in the Bank's ability to continue creating value for shareholders.

INTERNAL CAPITAL REQUIREMENTS

ING Bank assesses internal capital requirements by using its own risk-based methodologies. ING Bank uses the economic capital model. Economic capital is defined as the amount of capital required to cover for the economic risks created by the activities of the company and at the company's desired level of comfort.

ING Bank uses a one-sided confidence interval of 99.95% – consistent with our target debt rating (AA/Aa2 long term) – and a one year time horizon. The total amount of Economic capital can be regarded as the minimum level of capital that is required to absorb all future unexpected losses in times of severe stress.

Economic capital is calculated for credit, transfer, market, operational and business risk. Business risk is used to cover unexpected losses that may arise as a result of changes in volumes, margins and costs.

ING Bank continuously develops and refines its internal capital models that may lead to changes and restatements. E.g. for 2005 (and 2004) market model risk has been included for retail banking. In 2006 credit risk capital calculation methods and data collection will be evaluated also in the light of the Basel II preparations.

ECONOMIC CAPITAL BREAK-DOWN BY RISK CATEGORY ING BANK

amounts in billions of euros	**2005**	2004
Credit risk (including Transfer risk)	**7.0**	7.3
Market risk	**3.9**	4.3
Operational risk	**1.8**	1.8
Business Risk	**2.3**	1.8
	15.0	15.2

The figures shown by risk category reflect all diversification effects, including risk reduction between the risk categories.

All risks, except for business risk, are subject to an independent control process with a functional reporting line to the Corporate Risk Managers. Although business risk is factored into the planning and budgeting process, business risk is not subject to an independent control process, but is the responsibility of the relevant business units.

Each Corporate Risk Management Department is responsible for the consistency and correctness of the respective methodology, including the calculation of economic capital (and expected loss) and the diversification within the risk type.

Amsterdam, 6 March 2006

THE EXECUTIVE BOARD

CONSOLIDATED BALANCE SHEET OF ING BANK AS AT 31 DECEMBER
BEFORE PROFIT APPROPRIATION

amounts in millions of euros	2005	2004
ASSETS		
Cash and balances with central banks 1	10,718	7,834
Amounts due from banks 2	47,466	45,084
Financial assets at fair value through profit or loss 3		
- trading assets	149,787	79,579
- non-trading derivatives	5,780	
- designated as at fair value through profit or loss	9,472	
- other		3,334
Investments 4		
- available-for-sale	161,199	164,215
- held-to-maturity	18,937	
Loans and advances to customers 5	403,059	298,643
Investments in associates 6	1,188	940
Investment property 7	1,745	2,092
Property and equipment 8	4,624	4,461
Intangible assets 9	291	258
Other assets 10	19,769	13,595
Total assets	834,035	620,035
LIABILITIES		
Amounts due to banks 11	122,234	95,878
Customer deposits and other funds on deposit 12	466,154	352,095
Financial liabilities at fair value through profit or loss 13		
- trading liabilities	92,057	53,847
- non-trading derivatives	5,593	
- designated as at fair value through profit or loss	11,562	
Debt securities in issue	73,295	69,531
Other liabilities 14	22,546	14,832
Subordinated loans 15	18,781	18,450
Total liabilities	812,222	604,633
EQUITY		
Equity attributable to equity holders of the Company 16	21,331	14,894
Third-party interests	482	508
Total equity	21,813	15,402
Total liabilities and equity	834,035	620,035

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	2005	2004
INCOME		
Interest income	**48,152**	25,278
Interest expense	**39,007**	16,707
Net interest income 17	**9,145**	8,571
Income from investments 18	**751**	432
Gains and losses from investments 19	**185**	45
Commission income 20	**2,401**	2,581
Valuation results from non-trading derivatives 21	**215**	
Net trading income 22	**421**	626
Other income 23	**701**	408
Total income	**13,819**	12,663
EXPENSES		
Additions to the provision for loan losses	**88**	465
Other impairments 24	**54**	83
Staff costs 25	**4,745**	4,951
Other operating expenses 26	**4,056**	3,762
Total expenses	**8,943**	9,261
Profit before tax	**4,876**	3,402
Taxation 27	**876**	898
Profit for the period (before third-party interests)	**4,000**	2,504
Attribution:		
Net profit attributable to equity holders of the Company	**3,950**	2,482
Third-party interests	**50**	22
Profit for the period	**4,000**	2,504

References relate to the notes starting on page 53 which form an integral part of the consolidated annual accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS OF ING BANK FOR THE YEARS ENDED 31 DECEMBER

amounts in millions of euros		2005	2004
Profit before tax		**4,876**	3,402
Adjustments for:	– depreciation	**1,031**	1,062
	– additions to the provision for loan losses	**88**	465
	– other	**182**	-93
Taxation paid		**-682**	-687
Changes in operating assets and liabilities:	– amounts due from banks, not available on demand	**-720**	-1,206
	– trading assets	**-29,715**	-4,417
	– non-trading derivatives	**2,550**	
	– other financial assets at fair value through profit or loss	**-2,217**	
	– loans and advances to customers	**-57,183**	-36,031
	– other assets	**-5,346**	356
	– amounts due to banks, not payable on demand	**19,405**	21,986
	– customer deposits and other funds on deposit	**60,418**	67,873
	– trading liabilities	**13,442**	
	– other financial liabilities at fair value through profit or loss	**7,816**	
	– other liabilities	**3,096**	4,343
Net cash flow from operating activities		**17,041**	57,053
Investments and advances:	– associates and group companies	**-447**	-1,896
	– available-for-sale investments	**-94,875**	-105,004
	– held-to-maturity investments	**-1,030**	
	– investment property	**-109**	-193
	– property and equipment	**-398**	-257
	– assets subject to operating leases	**-991**	-950
	– other investments	**-163**	-134
Disposals and redemptions:	– associates and group companies	**1,063**	875
	– available-for-sale investment securities	**65,719**	53,999
	– held-to-maturity investment securities	**245**	
	– investment property	**651**	239
	– property and equipment	**179**	157
	– assets subject to operating leases	**392**	388
	– other investments	**10**	50
Net cash flow from investing activities 28		**-29,754**	-52,726
Repayment preference share premium reserves			-2,294
Proceeds from issuance of subordinated loans		**1,868**	4,206
Repayments of subordinated loans		**-1,159**	
Proceeds from borrowed funds and debt securities		**2,751**	
Repayment of borrowed funds and debt securities			-1,183
Dividends paid		**-701**	-818
Net cash flow from financing activities		**2,759**	-89
Net cash flow 29		**-9,954**	4,238
Cash and cash equivalents at beginning of year		**10,318**	6,076
Effect of exchange-rate changes on cash and cash equivalents		**605**	4
Cash and cash equivalents at end of year		**969**	10,318
Cash and cash equivalents comprises the following items:			
Treasury bills and other eligible bills 29		**11,572**	12,382
Amounts due to banks		**-21,321**	-9,898
Cash and balances with central banks		**10,718**	7,834
Cash and cash equivalents at end of year		**969**	10,318

References relate to the notes starting on page 61 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	Total	Share capital	Share premium	Revaluation reserve	Currency translation reserve	Other reserves	Third-party Interests
Balance as at 1 January 2004	16,087	525	6,839	175		7,993	555
Unrealised revaluations after taxation	211			211			
Exchange differences	-224				-224		
Employee stock options and share plans	27					27	
Other movements	-222				-76	-99	-47
Total amount recognised directly in equity	-208			211	-300	-72	-47
Net profit for the period	2,482					2,482	
	2,274			211	-300	2,410	-47
Dividend	-818					-818	
Paid-in share premium	153		153				
Repayment preference share premium reserve	-2,294					-2,294	
Balance as at 31 December 2004	15,402	525	6,992	386	-300	7,291	508
Implementation IAS 32/39	**2,131**			**3,409**		**-1,107**	**-171**
Unrealised revaluations after taxation	**79**			**79**			
Unrealised revaluations from cash flow hedges	**238**			**238**			
Unrealised revaluations from net investment hedges	**-526**				**-526**		
Impairments	**40**			**40**			
Employee stock options and share plans	**27**					**27**	
Exchange differences	**1,009**				**1,009**		
Other movements	**164**					**19**	**145**
Total amount recognised directly in equity	**3,162**			**3,766**	**483**	**-1,061**	**-26**
Net profit for the period	**3,950**					**3,950**	
	7,112			**3,766**	**483**	**2,889**	**-26**
Dividend	**-701**					**-701**	
Balance as at 31 December 2005	**21,813**	**525**	**6,992**	**4,152**	**183**	**9,479**	**482**

In 2005, deferred taxes with regard to unrealised revaluations amounted to EUR 153 million (2004: EUR 90 million).

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BASIS OF PRESENTATION

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

ING Bank has not early adopted any new International Financial Reporting Standards. Recently issued standards that become effective after 2005 are not expected to have a material effect on equity or profit for the period.

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

CHANGES IN ACCOUNTING PRINCIPLES

ING Bank applies IFRS-EU 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 Bank has not restated the 2004 comparatives for the impact of IAS 32 and 39. Accordingly, comparative information with respect to financial instruments is prepared under ING Bank's previous accounting policies (ING GAAP). As a result, certain comparative information relating to financial instruments and insurance contracts is not presented. The effects of implementing IFRS-EU are set out below under 'Impact of changes in accounting principles on net profit and equity'.

ING Bank has implemented IFRS-EU retrospectively, using the following transitional provisions:

- Goodwill is only capitalised on acquisitions after 1 January 2004. Accounting for acquisitions before that date has not been restated; goodwill on those acquisitions was charged directly to shareholders' equity.
- Hedge accounting is applied to all hedge relationships that were accounted for as a hedge under ING GAAP and meet the IAS 39 criteria for hedge accounting as of 1 January 2005.
- Unrecognised actuarial results on employee benefit plans were recognised directly in equity at 1 January 2004.
- The cumulative translation differences reserve in equity was reset to nil at 1 January 2004.
- IFRS 2 (share based payments) is applied for awards issued after 7 November 2002, that have not vested by 1 January 2005.

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES ON NET PROFIT AND EQUITY

The impact of implementing IFRS-EU on equity and net profit is summarised as follows:

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES

amounts in millions of euros	2004 Net profit	1 January 2004 [1] Bank equity	31 December 2004 Bank equity	1 January 2005 [2] Bank equity
Amounts in accordance with ING GAAP	2,239	15,890	14,992	**14,992**
Goodwill	25	-1	42	**42**
Fund for general banking risk	140	1,281	1,446	**1,446**
Property	-1	-67	-72	**-72**
Employee benefits	30	-1,648	-1,656	**-1,656**
Leases		-37	-37	**-37**
Available-for-sale debt securities				**3,923**
Derivatives/hedge accounting/fair value option				**-911**
Loans and advances to customers				**293**
Loan loss provisions				**476**
Foreign currency translation	5			
Result on sale of group companies	42			
Other	2	-2	12	**-59**
Taxation		671	675	**-733**
IFRS-EU impact on net profit and shareholders' equity	243	197	410	**2,712**
Classification of equity instruments – Third-party interest				**-158**
Third-party interests in equity				**-13**
IFRS-EU impact on net profit and Bank equity	243	197	410	**2,541**
Amounts in accordance with IFRS-EU	2,482	16,087	15,402	**17,533**

[1] IFRS as adopted by the EU, excluding IAS 32/39
[2] IFRS as adopted by the EU, including IAS 32/39

EXPLANATION OF DIFFERENCES BETWEEN IFRS AND ING GAAP

The explanation of differences in accounting principles between IFRS-EU (applied as of 2005) and the accounting principles applied by ING Bank in the 2004 annual accounts (ING GAAP) is presented below in two sections:

- differences between ING GAAP and IFRS-EU excluding IAS 32 and 39, which were implemented in the restated 2004 comparatives as of 1 January 2004;
- differences due to the impact of IAS 32 and 39 which were implemented as of 1 January 2005.

DIFFERENCES BETWEEN ING GAAP AND IFRS EXCLUDING IAS 32/39

Goodwill

Under ING GAAP, goodwill was charged to equity. Under IFRS-EU, all goodwill arising after 1 January 2004 is capitalised and subject to an annual impairment review. Goodwill charged to equity prior to 1 January 2004 was not restated.

Investment property

Under IFRS-EU, investment property is reported at fair value, with changes in fair value reported in the profit and loss account. Under ING GAAP, investment property was reported at fair value, with changes in fair value reported in a revaluation reserve in equity; at disposal, the accumulated revaluation was recognised in the profit and loss account under ING GAAP.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

Property in own use
Both under IFRS-EU and ING GAAP, property in own use is reported at fair value, with changes in fair value reported in a revaluation reserve in equity and a depreciation charge recognised in the profit and loss account. At disposal, the accumulated revaluation was recognised in the profit and loss account under ING GAAP. Under IFRS-EU, no result is recognised on disposal. Furthermore, under IFRS-EU individually negative revaluation reserves on a property-by-property basis are charged to the profit and loss account; under ING GAAP negative revaluation reserves were offset against positive revaluation reserves.

Property under development for third parties
Both under IFRS-EU and ING GAAP, property in the course of construction is reported at cost and profit is recognised on completion date. However, IFRS-EU is more restrictive on the overhead expenses that may be capitalised and the definition of the completion date is different under IFRS-EU.

Employee benefits
Accounting for pension liabilities under ING GAAP was similar to IFRS-EU; however, at transition to IFRS-EU all unrecognised actuarial gains and losses were charged to shareholders' equity. Under IFRS-EU additional provisions for certain employee benefits are required.

Leases
Under ING GAAP, leases where ING is the lessor were presented as Loans and advances to customers. Under IFRS-EU, these are presented as fixed assets, with depreciation recognised in the profit and loss account on a straight-line basis. All bonuses/discounts are amortised over the lease term under IFRS-EU whilst under ING GAAP they were reported in income immediately.

Foreign currency translation
Both under IFRS-EU and ING GAAP translation differences on foreign operations are reported in a translation reserve in equity; however, at transition to IFRS-EU the translation differences reserve was reset to nil.

Result on sale of consolidated subsidiaries
The result on sale under IFRS-EU is different from ING GAAP as the book value at the time of disposal under IFRS-EU differs from ING GAAP. This specifically relates to a negative revaluation on property in own use that under IFRS-EU was charged to the profit and loss account in 2004, whereas it was included in the result on disposal under ING GAAP (also in 2004).The effect included in Result on sale of consolidated subsidiaries is offset by an opposite amount included in Property, the total effect on 2004 net profit is nil.

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

DIFFERENCES FROM IMPLEMENTING IAS 32/39 AS OF 1 JANUARY 2005
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 ING 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 ING 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 on the derivative that is also reported in the profit and loss account. Under ING 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 for hedge accounting under IFRS-EU, financial assets and liabilities may be designated at fair value through profit or loss, which implies that these are 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 ING GAAP and IFRS-EU loans are measured at amortised cost. Under IFRS-EU, certain fees/costs are capitalised and amortised whilst under ING 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 ING GAAP these were amortised on a straight-line basis. Under IFRS-EU, realised results are reported in net income. Under ING 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.

Equity securities
Under ING GAAP, negative revaluations on equity securities were only charged to the profit and loss account as impairment when triggered by the financial condition of the issuer. Under IFRS-EU, impairment is also triggered by a significant or prolonged decline of the market value below cost. This does not affect Group equity as at 1 January 2005.

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

IMPACT OF CHANGES IN ACCOUNTING PRINCIPLES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

IFRS-EU TRANSITION EFFECTS ON THE STATEMENT OF CASH FLOW

amounts in millions of euros	1 January 2005	1 January 2004
Cash and cash equivalents – ING GAAP	**10,021**	5,735
Consolidation of SPE's	**297**	341
Cash and cash equivalents – IFRS-EU	**10,318**	6,076

ACQUISITIONS AND DISPOSALS OF GROUP COMPANIES

IMPACT OF MOST SIGNIFICANT CHANGES IN COMPOSITION OF THE GROUP

amounts in millions of euros	Before acqui-sition/ disposal	After acqui-sition/ disposal	Impact 2005	Before acqui-sition/ disposal	After acqui-sition/ disposal	Impact 2004
Assets	**834,978**	**834,035**	**-943**	633,721	620,035	-13,686
Liabilities and third-party interest	**813,048**	**812,222**	**-826**	618,260	604,633	-13,627
Shareholders' equity	**21,930**	**21,813**	**-117**	15,461	15,402	-59
Total income	**13,887**	**13,819**	**-68**	12,936	12,663	-273
Net profit for the period	**4,007**	**4,000**	**-7**	2,647	2,504	-143

The impact of a change in the composition of the Group is defined as the change in assets, liabilities, shareholders' equity or net profit resulting from the acquisition or disposal of a Bank company, compared to the situation where no acquisition or disposal took place. The impact is included in the financial year in which the acquisition or disposal took place.

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.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

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.

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.

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 provisions for loan losses, 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.

PROVISIONS FOR LOAN LOSSES

Provisions for loan losses 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 provisions for loan losses over time.

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

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value 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 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 the applicable internal authorities. In addition, market data used in these valuation techniques are validated on a daily basis.

Models are subjective in nature and significant judgement is involved in establishing fair values for financial assets and liabilities. Models 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.

EMPLOYEE BENEFITS

Bank 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 or 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, rate 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 then the excess is amortised over the employees' expected average remaining working lives.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Bank ('the Bank') comprises ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Bank comprise all entities (including special purpose entities) where ING Bank, and/or it subsidiaries, has, either directly or indirectly, the power to exercise control over the financial and operating policies. Control is presumed to exist when ING Bank has, directly or indirectly through subsidiaries, more than one half of the voting power or otherwise exercises effective control.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

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 Bank 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 by 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 it 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.

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

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 as at 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 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 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 Company'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 and qualifying net investment hedges.

Translation differences on non-monetary items, measured at fair value through profit or loss are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date 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 the 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); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange 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 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 VALUE OF FINANCIAL ASSETS AND LIABILITIES
The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is 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 appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by 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 at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options 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 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 either (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge) or (3) 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. 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 hedged items including the method for assessing the hedging instruments' effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

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 or 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 hedge
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 instrument is derecognised.

Cash flow hedge
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.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item will affect profit or loss. 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 hedge
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
Certain non-trading derivative instruments that are used by the Bank as part of its risk management strategies do not qualify for hedge accounting under the Bank’s accounting policies. Changes in the fair value of non-trading derivatives that do not qualify for hedge accounting are recognised immediately in the profit and loss account. See also Financial assets at fair value through profit or loss.

FINANCIAL ASSETS

Recognition of financial assets
All purchases and sales of financial assets classified as held-to-maturity, 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 deposits are recognised at settlement date.

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 has no longer 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.

Loans and advances to customers
Loans and advances to customers are initially recognised at fair value, net of transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairment losses.

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

Available-for-sale financial assets
For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective yield 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 gains and losses from investment securities. For impairments on available-for-sale financial assets reference is made to the section, impairment of other financial assets.

Held-to-maturity investments
Investments for which the Bank has the positive intention and ability to hold to maturity and which are designated as held-to-maturity assets are subsequently carried at amortised cost using the effective yield method, less any provision for impairment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss comprise two sub-categories: financial assets held for trading and other financial assets designated at fair value through profit or loss by management, including investments for the risk of policyholders. A financial asset is classified as at fair value through profit or 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. See also Non-trading derivatives that do not qualify for hedge accounting.

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 by 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 accrued over the life of the agreement using the effective interest method.

PROVISION FOR LOAN LOSSES
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 (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. Objective evidence that a financial asset or group of assets is impaired includes, but is not limited to:

- The borrower has sought or has been placed in bankruptcy or similar protection and this avoids or delays repayment of the financial asset;
- The borrower has failed in the repayment of principle, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has evidenced significant financial difficulty, to the extent that it will have a negative impact on the 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.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 assets 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 and the amount of the loss is recognised in the profit and loss account. 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.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectable, it is written off against the related provision for loan impairment. 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 provision for loan impairment 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 allowance account. 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 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 such evidence exists for available-for-sale financial assets, 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 profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and subsequently accounted for by 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 or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements 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 ING's financial interests for own risk and its role as investment manager.

INVESTMENT PROPERTY

Investment property is stated at fair value as 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 investment property is based on regular appraisals by independent qualified valuers.

PROPERTY AND EQUIPMENT

Property in own use

Land and buildings held for own use are stated at fair value as at balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves 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 profit or loss 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 investment property) 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 required provision for impairment. Profit is recognised on completion date of the property (completed contract method).

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 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 recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under 'Assets under operating leases'.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

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). As permitted by IFRS transitional requirements, 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) and the amount included in the currency translation reserve in equity is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill even after the first year. On disposal of Bank companies, the difference between the sale proceeds and book value (including goodwill) and the 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 internal use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in other expenses.

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life. Intangible assets with an indefinite life are not amortised.

TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in 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 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 when 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 net income.

Financial liabilities at fair value through profit or loss comprise two sub-categories: financial liabilities held for trading and other financial liabilities designated at fair value through profit or 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.

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 or 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 defined benefit obligation is calculated using the expected rate of return on plan assets. Differences between this expected return and the actual return on these plan assets and actuarial changes 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 amortised and 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 (1 January 2004).

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 employee benefit expense 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, whereas the timing or the amount is uncertain. Unless stated otherwise below, provisions are discounted using a pre-tax discount rate to reflect the time value of money. 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.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (CONTINUED)

INCOME RECOGNITION

Net interest income

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 loss, 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. Movements in the 'clean fair value' are included in net trading income.

Fees and commissions

Fees and commissions are generally recognised as the service has been 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 for 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 has been provided. Asset management fees related to investment funds are recognised rateably 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.

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 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.

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.

ACCOUNTING POLICIES APPLIED IN RESPECT OF FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

As explained under 'Changes in accounting principles', the 2004 comparatives for financial instruments are presented under the accounting principles applied in the 2004 financial statements (i.e. not restated for IAS 32 and 39). The main items involved are:

- Non-trading derivatives;
- Investments;
- Loans and advances to customers.

Key differences between the former ING GAAP accounting principles and IFRS-EU for these items are described in the section 'Changes in accounting principles'.

ACCOUNTING PRINCIPLES 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 by 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 movements 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 Additions to the provision for loan losses 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 movement in cash in the balance sheet is due to exchange differences and is separately accounted for as part of the reconciliation of the net cash flow and the balance sheet movement in cash.

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	2005	2004
Amounts held at central banks	**9,479**	6,734
Cash and bank balances	**1,239**	1,100
	10,718	7,834

2 AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS	2005	2004
Loans and advances to banks	**26,877**	20,497
Cash advances, overdrafts and other balances	**20,596**	24,605
	47,473	45,102
Provision for loan losses	**-7**	-18
	47,466	45,084

As at 31 December 2005, amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 7,738 million (2004: EUR 10,799 million). As at 31 December 2005, the non-subordinated receivables amounted to EUR 47,406 million (2004: EUR 44,818 million) and the subordinated receivables amounted to EUR 60 million (2004: EUR 266 million).

As at 31 December 2005, assets held under finance lease contracts amounted to EUR 225 million (2004: EUR 158 million).

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2005	2004
Trading assets	**149,787**	79,579
Non-trading derivatives	**5,780**	
Designated as at fair value through profit or loss	**9,472**	
Other		3,334
	165,039	82,913

The majority of financial assets designated as at fair value through profit or loss are equity and debt securities.

TRADING ASSETS BY TYPE	2005	2004
Equity securities	**9,973**	10,061
Debt securities	**38,294**	37,171
Derivatives	**20,965**	
Loans and receivables	**80,555**	32,347
	149,787	79,579

Trading derivatives as at 31 December 2004 are included in trading liabilities.

NON-TRADING DERIVATIVES	2005
Derivatives used in cash flow hedging	**2,176**
Derivatives used in fair value hedging	**1,134**
Derivatives used in hedges of net investments in foreign operations	**30**
Other non-trading derivatives	**2,440**
	5,780

As at 31 December 2005, the balance sheet value included debt securities which were lent or sold in repurchase transactions amounting to EUR 67 million (2004: nil) and EUR 1,653 million (2004: nil) respectively.

4 INVESTMENTS

INVESTMENTS BY TYPE	2005	2004
Available-for-sale		
Equity securities	**2,147**	1,166
Debt securities	**159,052**	163,049
	161,199	164,215
Held-to-maturity		
Debt securities	**18,937**	
	180,136	164,215

The fair value of the securities classified as held-to-maturity amounts to EUR 19,466 million at 31 December 2005.

MOVEMENTS IN INVESTMENTS – AVAILABLE-FOR-SALE AND HELD-TO-MATURITY			Available-for-sale		Held-to-maturity		Total	
	Equity securities		Debt securities					
	2005	2004	2005	2004	2005	2004	2005	2004
Opening balance	**1,166**	1,671	**163,049**	116,030			**164,215**	117,701
Implementation IAS 32/39	**-30**		**-33,046**		**14,059**		**-19,017**	
Additions	**537**	620	**93,528**	104,584	**1,030**		**95,095**	105,204
Transfers	**277**		**-5,871**		**4,010**		**-1,584**	
Changes in the composition of the group	**-3**	-306	**1,382**	-1,362			**1,379**	-1,668
Gains/(losses) from change in fair value	**577**	53	**-193**				**384**	53
Provision for impairment	**-45**						**-45**	
Disposals and redemptions	**-451**	-598	**-65,268**	-52,997	**-245**		**-65,964**	-53,595
Exchange differences	**119**	-274	**5,471**	-3,206	**83**		**5,673**	-3,480
Closing balance	**2,147**	1,166	**159,052**	163,049	**18,937**		**180,136**	164,215

AVAILABLE-FOR-SALE EQUITY SECURITIES - LISTED AND UNLISTED	2005	2004
Listed	**1,238**	759
Unlisted	**909**	407
	2,147	1,166

As at 31 December 2005, the balance sheet value included shares which were lent in repurchase transactions amounting to nil (2004: EUR 5 million). As at 31 December 2005, the balance sheet value included debt securities which were lent in repurchase transactions amounting to EUR 37,181 million (2004: EUR 24,473 million).

Borrowed debt securities are not recognised in the balance sheet and amounted to EUR 3,295 million as at 31 December 2005 (2004: EUR 2,860 million).

5 LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS ANALYSED BY TYPE	2005	2004
Loans to or guaranteed by public authorities	**31,442**	24,414
Loans secured by mortgages	**181,112**	156,751
Loans guaranteed by credit institutions	**1,826**	1,116
Other personal lending	**25,142**	14,893
Other corporate loans	**166,843**	105,713
	406,365	302,887
Provision for loan losses	**-3,306**	-4,244
	403,059	298,643

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING BANK (CONTINUED)

LOANS AND ADVANCES TO CUSTOMERS ANALYSED BY SUBORDINATION

	2005	2004
Non-subordinated	**402,747**	298,262
Subordinated	**312**	381
	403,059	298,643

As at 31 December 2005, 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 6,684 million (2004: EUR 24,110 million).

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

FINANCE LEASE RECEIVABLES

	2005	2004
Maturities of gross investment in finance leases receivable:		
Not later than 1 year	**4,230**	4,067
Later than 1 year and not later than 5 years	**7,355**	7,111
Later than 5 years	**2,654**	2,269
	14,239	13,447
Unearned future finance income on finance leases	**-2,022**	-1,783
Net investment in finance leases	**12,217**	11,664
Maturities of net investment in finance leases:		
Not later than 1 year	**3,727**	3,533
Later than 1 year and not later than 5 years	**6,163**	6,160
Later than 5 years	**2,327**	1,971
	12,217	11,664
Included in Loans and advances to customers	**11,992**	11,506
Included in Amounts due from banks	**225**	158
	12,217	11,664

The allowance for uncollectible finance lease receivables included in the provision for loan losses amounted to EUR 45 million at 31 December 2005 (2004: EUR 116 million).

PROVISION FOR LOAN LOSSES ANALYSED BY TYPE

	2005	2004
Loans secured by public authorities	**3**	36
Loans secured by mortgages	**366**	412
Loans guaranteed by credit institutions	**13**	23
Other personal lending	**638**	525
Other corporate loans	**2,293**	3,266
Other		194
	3,313	4,456

MOVEMENTS IN THE PROVISION FOR LOAN LOSSES

	2005	2004
Opening balance	4,456	4,835
Implementation IAS 32/39 [1]	-592	
Changes in the composition of the group	-4	-38
Write-offs	-842	-956
Recoveries	61	85
Increase/(decrease) in loan loss provision	88	465
Exchange differences	115	-29
Other movements	31	94
Closing balance	3,313	4,456
The closing balance is included in:		
- Amounts due from banks	7	18
- Loans and advances to customers	3,306	4,244
- Other assets		194
	3,313	4,456

[1] This includes a release to equity of EUR -476 million and a reclassification to other assets

6 INVESTMENTS IN ASSOCIATES

INVESTMENTS IN ASSOCIATES

2005	Interest held (%)	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	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	61	1,300	538	115	28
Other investments in associates		349	3,014	1,574	442	310
		1,176				
Receivables from associates		12				
		1,188				

INVESTMENTS IN ASSOCIATES

2004	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expense
Lion Properties Fund	12	116	1,210	243	54	11
Lion Industrial Trust	16	102	1,284	657	137	133
ING Retail Property Fund Australia	30	56	604	417	45	21
Other investments in associates		575				
		849				
Receivables from associates		91				
		940				

Accumulated impairments have been recognised of EUR 4 million (2004: EUR 4 million).

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING BANK (CONTINUED)

MOVEMENTS IN ASSOCIATES

	Investments in associates		Receivables from associates	
	2005	2004	**2005**	2004
Opening balance	**849**	552	**91**	156
Additions and advances	**353**	83	**11**	
Changes in the composition of the group	**43**	-74		-61
Transfer to and from investments	**49**			
Share of results	**140**	34		
Dividends received	**-43**	-18		
Disposals and redemptions	**-306**	-65	**-92**	-15
Exchange differences	**99**	-21	**2**	
Other movements	**-8**	358		11
Closing balance	**1,176**	849	**12**	91

7 INVESTMENT PROPERTY

MOVEMENTS IN INVESTMENT PROPERTY

	2005	2004
Opening balance	**2,092**	1,362
Additions	**109**	193
Changes in the composition of the group	**-226**	757
Transfer to and from other assets	**196**	
Fair value gains/ (losses)	**59**	62
Disposals	**-651**	-239
Exchange differences	**166**	-43
Closing balance	**1,745**	2,092

The total amount of rental income recognised in profit or loss for the years ended 31 December 2005, and 2004 was EUR 80 million and EUR 71 million respectively.

The total amount of direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income for the years ended 31 December 2005, and 2004 was EUR 45 million and EUR 106 million respectively. The total amount of direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income for the years ended 31 December 2005, and 2004 was EUR 6 million and nil respectively.

APPRAISAL OF INVESTMENT PROPERTY DURING THE LAST FIVE YEARS BY PROFESSIONALLY QUALIFIED VALUERS (IN PERCENTAGES)

years of appraisal	
2005	**92**
2004	**5**
2003	
2002	
2001	**3**
	100

8 PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT BY TYPE

	2005	2004
Property in own use	**1,460**	1,380
Equipment	**994**	980
Assets subject to operating leases	**2,170**	2,101
	4,624	4,461

MOVEMENTS IN PROPERTY IN OWN USE

	2005	2004
Opening balance	**1,380**	1,613
Additions	**38**	58
Changes in the composition of the group	**1**	3
Depreciation	**-54**	-52
Revaluations	**210**	-42
Impairments	**-13**	-83
Reversal of impairments	**27**	
Disposals	**-149**	-143
Exchange differences	**13**	10
Other movements	**7**	16
Closing balance	**1,460**	1,380
Gross carrying amount as at 31 December	**2,189**	2,236
Accumulated depreciation as at 31 December	**-606**	-719
Accumulated impairment as at 31 December	**-123**	-137
Net book value	**1,460**	1,380
Revaluation surplus:		
Opening balance	**313**	355
Changes in revaluation reserve for the year	**210**	-42
Closing balance	**523**	313

The cost or purchase price amounted to EUR 1,667 million (2004: EUR 1,759 million). Cost less accumulated depreciation would have been EUR 1,061 million (2004: EUR 1,040 million).

APPRAISAL OF PROPERTY IN OWN USE DURING THE LAST FIVE YEARS BY PROFESSIONALLY QUALIFIED VALUERS (IN PERCENTAGES)

years of appraisal	
2005	**74**
2004	**12**
2003	**7**
2002	**2**
2001	**5**
	100

MOVEMENT IN EQUIPMENT

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2005	2004	2005	2004	2005	2004
Opening balance	**274**	296	**706**	698	**980**	994
Additions	**153**	139	**207**	187	**360**	326
Changes in the composition of the group	**-7**	-8	**-16**	-20	**-23**	-28
Revaluations		2		-2		
Disposals	**-6**	-10	**-24**	-28	**-30**	-38
Depreciation	**-160**	-156	**-162**	-151	**-322**	-307
Exchange differences	**5**	1	**14**	-1	**19**	
Other movements	**-2**	10	**12**	23	**10**	33
Closing balance	**257**	274	**737**	706	**994**	980
Gross carrying amount as at 31 December	**1,235**	834	**2,094**	1,818	**3,329**	2,652
Accumulated depreciation as at 31 December	**-978**	-560	**-1,357**	-1,112	**-2,335**	-1,672
Net book value	**257**	274	**737**	706	**994**	980

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING BANK (CONTINUED)

MOVEMENTS IN ASSETS UNDER OPERATING LEASES

	Cars		Other leased-out assets		Total	
	2005	2004	**2005**	2004	**2005**	2004
Opening balance	**2,060**	2,033	**41**	68	**2,101**	2,101
Additions	**990**	944		6	**990**	950
Changes in the composition of the group			**22**		**22**	
Disposals	**-392**	-378		-10	**-392**	-388
Depreciation	**-549**	-536	**-9**	-20	**-558**	-556
Impairments		-6				-6
Exchange differences	**4**	3		-3	**4**	
Other movements	**3**				**3**	
Closing balance	**2,116**	2,060	**54**	41	**2,170**	2,101
Gross carrying amount as at 31 December	**3,070**	3,123	**98**	206	**3,168**	3,329
Accumulated depreciation as at 31 December	**-954**	-1,057	**-44**	-165	**-998**	-1,222
Accumulated impairment as at 31 December		-6				-6
Net book value	**2,116**	2,060	**54**	41	**2,170**	2,101

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

FUTURE MINIMUM LEASE PAYMENTS BY MATURITY

	2005	2004
Not later than 1 year	**664**	663
Later than 1 year and not later than 5 years	**1,505**	1,419
Later than 5 years	**1**	19
	2,170	2,101

9 INTANGIBLE ASSETS

MOVEMENTS IN INTANGIBLE ASSETS

	Goodwill		Software		Other		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Opening balance	**42**		**216**	304			**258**	304
Capitalised				2				2
Additions	**53**	42	**100**	92	**10**		**163**	134
Disposals	**-12**		**-9**	-8	**-1**		**-22**	-8
Amortisation			**-100**	-147			**-100**	-147
Changes in the composition of the group	**-7**			-29			**-7**	-29
Exchange differences			**5**	2			**5**	2
Other movements	**1**				**-7**		**-6**	
Closing balance	**77**	42	**212**	216	**2**		**291**	258

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

As at 31 December 2005 the gross amount of goodwill amounted to EUR 77 million (2004: EUR 42 million).

10 OTHER ASSETS

OTHER ASSETS BY TYPE

	2005	2004
Deferred tax assets	**1,959**	856
Property held for sale	**1,875**	1,689
Property under development for third parties	**20**	
Income tax receivable	**543**	172
Accrued interest and rents	**10,716**	5,703
Other accrued assets	**760**	1,923
Other receivables	**3,896**	3,252
	19,769	13,595

DEFERRED TAX ASSETS BY ORIGIN

	2005	2004
Deferred tax assets relating to:		
– other provisions	**301**	146
– unused tax losses carried forward	**683**	420
– investments	**490**	
– loans and advances	**236**	
– other	**415**	364
	2,125	930
Deferred tax liabilities (offset by deferred tax assets) relating to:		
– investments	**164**	
– loans and advances to customers	**1**	
– other	**1**	74
	166	74
	1,959	856

DEFERRED TAX ASSETS IN CONNECTION WITH UNUSED TAX LOSSES CARRIED FORWARD

	2005	2004
Total unused tax losses carried forward	**3,225**	3,283
Unused tax losses carried forward not recognised as a deferred tax asset	**856**	1,760
Unused tax losses carried forward recognised as a deferred tax asset	**2,369**	1,523
Average tax rate	**28.8%**	27.6%
Deferred tax asset	**683**	420

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 TERMS

	No deferred tax asset recog-nised	Deferred tax asset recog-nised	No deferred tax asset recog-nised	Deferred tax asset recog-nised
		2005		2004
– up to five years	**28**	**308**	48	525
– five to ten years		**48**		266
– ten to twenty years	**322**	**640**	746	162
– unlimited	**506**	**1,373**	966	570
	856	**2,369**	1,760	1,523

PROPERTY HELD FOR SALE

	2005	2004
Property obtained from foreclosures	**50**	41
Property developed for sale	**1,825**	1,648
	1,875	1,689
Gross carrying amount as at 31 December	**1,943**	1,689
Accumulated impairment as at 31 December	**-68**	
Net book value	**1,875**	1,689

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 2005, liabilities concerning securities sold in repurchase transactions amounted to EUR 23,857 million (2004: EUR 24,452 million).

AMOUNTS DUE TO BANKS BY TYPE

	2005	2004
Non-interest bearing	**4,469**	2,218
Interest bearing	**117,765**	93,660
	122,234	95,878

12 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

	2005	2004
Savings accounts	**269,387**	221,121
Credit balances on customer accounts	**127,960**	86,197
Corporate time deposits	**57,655**	42,928
Other	**11,152**	1,849
	466,154	352,095

CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT BY TYPE

	2005	2004
Non-interest bearing	**15,113**	15,030
Interest-bearing	**451,041**	337,065
	466,154	352,095

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 2005, Customer deposits and other funds on deposit included liabilities with regard to securities sold in repurchase transactions amounting to EUR 2,104 million (2004: EUR 4,908 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 OR LOSS

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005	2004
Trading liabilities	**92,057**	53,847
Non-trading derivatives	**5,593**	
Designated as at fair value through profit or loss	**11,562**	
	109,212	53,847

For the financial year 2005, the changes in fair value of financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk of ING Bank are insignificant.

The nominal amounts of liabilities designated as at fair value through profit or loss approximates the fair value.

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

TRADING LIABILITIES BY TYPE	2005	2004
Equity securities	**10,206**	9,314
Debt securities	**7,264**	10,057
Funds on deposit	**54,263**	33,080
Derivatives	**20,324**	1,396
	92,057	53,847

NON-TRADING DERIVATIVES	2005
Derivatives used in cash flow hedges	**677**
Derivatives used in fair value hedges	**1,315**
Derivatives used in hedges of net investments in foreign operations	**91**
Other non-trading derivatives	**3,510**
	5,593

14 OTHER LIABILITIES

OTHER LIABILITIES BY TYPE	2005	2004
Deferred tax liabilities	**2,397**	79
Income tax payable	**994**	646
Other taxation and social security contribution	**376**	361
Pension liabilities and other staff-related liabilities	**1,257**	1,818
Accrued interest	**9,660**	4,123
Costs payable	**1,466**	4,804
Other Provisions	**761**	528
Other	**5,635**	2,473
	22,546	14,832

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

As at 31 December 2005 Other liabilities includes an amount of EUR 7.91 for seven preference shares with a par value of EUR 1.13 each (2004: EUR 7.91).

DEFERRED TAX LIABILITIES BY ORIGIN	2005
Deferred tax assets (offset by deferred tax liabilities) relating to:	
– other provisions	**124**
– pensions	**498**
– other	**71**
	693
Deferred tax liabilities relating to:	
– investments	**1,870**
– financial assets and liabilities at fair value through profit or loss	**37**
– depreciation	**65**
– other provisions	**69**
– receivables	**66**
– loans and advances to customers	**131**
– cash flow hedge reserve	**503**
– other	**349**
	3,090
	2,397

As at 31 December 2004, deferred tax liabilities originated mostly from pensions and investments.

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING BANK (CONTINUED)

MOVEMENTS IN OTHER PROVISIONS

	Reorganisations and relocations 2005	2004	Other 2005	2004	Total 2005	2004
Opening balance	**209**	194	**319**	284	**528**	478
Changes in the composition of the group	**-8**	-38	**-4**	-50	**-12**	-88
Additions	**106**	82	**302**	164	**408**	246
Releases	**-20**				**-20**	
Charges	**-79**	-77	**-149**	-45	**-228**	-122
Exchange differences	**5**	-2	**10**	-1	**15**	-3
Other movements	**74**	50	**-4**	-33	**70**	17
Closing balance	**287**	209	**474**	319	**761**	528

The provision for reorganisations and relocations at 31 December 2005 includes an amount of EUR 47 million to restructure the Operations & IT activities in the Benelux. The provision at 31 December 2004 includes an amount of EUR 41 million for the international Wholesale Banking network.

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

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. Provided that the plan assets are sufficient, the benefits from many of these plans are subject to some form of indexation.

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. These are primarily post-retirement healthcare benefits and post-employment defined benefit early-retirement plans 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. The amount incurred in 2005 was EUR 59 million (2004: EUR 71 million).

SUMMARY OF PENSION LIABILITIES AND OTHER STAFF-RELATED LIABILITIES

	Pension liabilities 2005	2004	Post-retirement benefits other than pensions 2005	2004	Other 2005	2004	Total 2005	2004
Defined benefit obligation	**9,872**	8,074	**194**	377	**830**	795	**10,896**	9,246
Fair value of plan assets	**8,253**	6,316			**375**	353	**8,628**	6,669
	1,619	1,758	**194**	377	**455**	442	**2,268**	2,577
Unrecognised gains/(losses)	**-998**	-719	**-13**	-40			**-1,011**	-759
Amount included in Other liabilities	**621**	1,039	**181**	337	**455**	442	**1,257**	1,818

Pension liabilities

MOVEMENTS IN DEFINED BENEFIT OBLIGATION	2005	2004
Opening balance	**8,074**	6,791
Current service cost	**300**	271
Interest expenses	**393**	473
Participant contributions	**5**	
Benefits paid	**-223**	-169
Actuarial gains and losses	**1,182**	891
Past service cost	**136**	
Changes in the composition of the group	**14**	-174
Effect of curtailment or settlement	**-11**	
Exchange differences	**2**	-9
Closing balance	**9,872**	8,074

As at 31 December 2005, the defined benefit obligation consisted of funded plans amounting to EUR 9,798 million (2004: EUR 8,270 million) and unfunded plans amounting to EUR 74 million (2004: EUR 152 million).

MOVEMENTS IN FAIR VALUE OF PLAN ASSETS	2005	2004
Opening balance	**6,316**	5,587
Expected return on plan assets	**443**	404
Employer's contribution	**806**	464
Participant contributions	**4**	1
Benefits paid	**-223**	-169
Actuarial gains and losses	**904**	172
Changes in the composition of the group	**3**	-134
Exchange differences		-9
Closing balance	**8,253**	6,316

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. Among managers, consideration is given, among others, to 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
	2006	2005	2004	2005
Equity Securities	**31**	**34**	38	**8.0**
Debt Securities	**58**	**55**	52	**5.0**
Other	**11**	**11**	10	**7.0**
	100	**100**	100	**6.0**

Equity securities include ING Group ordinary shares of EUR 10 million (0.1% of total plan assets) at 31 December 2005 (2004: EUR 10 million, 0.2 % of total plan assets).

NOTES TO THE CONSOLIDATED BALANCE SHEET OF ING BANK (CONTINUED)

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 on 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 % AS AT 31 DECEMBER

	2005	2004
Discount rates	**4.00**	4.75
Expected rates of salary increases (excluding promotion increases)	**2.50**	2.50
Medical cost trend rates	**4.00**	4.00
Consumer price inflation	**1.75**	2.00

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

Expected Cash Flows

There are not expected to be any minimum funding requirements during 2006.

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

PENSION BENEFITS

2006	**165**
2007	**196**
2008	**222**
2009	**237**
2010	**247**
Years 2011-2015	**1,255**

In 2005 the employer's contributions amounted EUR 806 million (2004: EUR 464 million).

Post-retirement benefits other than pensions

MOVEMENTS IN DEFINED BENEFIT OBLIGATION

	2005	2004
Opening balance	**377**	305
Current service cost	**27**	18
Interest costs	**22**	18
Employer's contribution	**70**	
Benefits paid	**-6**	-6
Actuarial gains and losses	**93**	42
Effect of curtailment or settlement	**-390**	
Exchange differences	**1**	
Closing balance	**194**	377

The defined benefit obligations of post-retirement benefits other than pensions are entirely unfunded.

WEIGHTED AVERAGES OF BASIC ACTUARIAL ASSUMPTIONS IN ANNUAL % AS AT 31 DECEMBER		
	2005	2004
Discount rates	**4.00**	4.75
Expected rates of salary increases (excluding promotional increase)	**2.50**	2.50
Medical cost trend rates	**4.00**	4.00
Consumer price inflation	**1.75**	2.00

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

An increase of 1% in the assumed medical cost trend rate for each future year would have resulted in an additional accumulated defined benefit obligation of EUR 50 million at 31 December 2005 (2004: EUR 97 million) and an increase in the charge for the year of EUR 4 million (2004: EUR 8 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 37 million at 31 December 2005 (2004: EUR 72 million) and a decrease in the charge for the year of EUR 3 million (2004: EUR 6 million).

Expected Cash Flows
There are not expected to be any minimum funding requirements during 2006.

15 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 includes EUR 5,764 million (2004: EUR 5,025 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 3,249 million of these subordinated loans will be converted into equity.

EQUITY

16 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	2005	2004
Share capital	**525**	525
Share premium	**6,992**	6,992
Revaluation reserve	**4,152**	386
Share of associates reserve	**47**	103
Currency translation reserve	**183**	-300
Other reserves	**9,432**	7,188
Equity attributable to equity holders of the Company	**21,331**	14,894

The revaluation reserve consists of revaluations related to securities and property in own use and the reserve for cash flow hedging and hedges of net investments of foreign operations. The reserve for cash flow hedging amounts to EUR 1,077 million as at 31 December 2005.

The other reserves include retained earnings.

SHARE CAPITAL	Preference shares (par value EUR 1.13)		Ordinary shares (par value EUR 1.13)		Preference shares (par value EUR 1.13)		Ordinary shares (par value EUR 1.13)	
	Number x 1	Amount in EUR	Number x 1,000	Amount	Number x 1	Amount in EUR	Number x 1,000	Amount
				2005				2004
Authorised share capital	**50**	**57**	**1,600,000**	**1,808**	50	57	1,600,000	1,808
Unissued share capital	**43**	**49**	**1,134,965**	**1,283**	43	49	1,134,965	1,283
Issued share capital	**7**	**8**	**465,035**	**525**	7	8	465,035	525

MOVEMENTS IN ISSUED SHARE CAPITAL	Preference shares		Ordinary shares	
	Number x 1	Amount in EUR	Number x 1,000	Amount
Issued share capital as at 31 December 2005	**7**	**8**	**465,035**	**525**

No shares have been issued during 2004 and 2005.

As of 2005, the preference shares are presented as liabilities. Reference is made to Note 14 Other liabilities.

As at 31 December 2005, the capital and reserves of Stichting Regio Bank, included in Other reserves, amounted to EUR 583 million (2004: EUR 552 million) and cannot be freely distributed. The increase reflects the profit appropriation for the year. The revaluation reserve, share of associates reserve and currency translation reserve cannot be freely distributed.

Ordinary shares
All shares are in registered form. No share certificates will be 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 currently EUR 1.13.

Dividend restrictions
ING Bank N.V. and its Dutch Bank 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 (i) the paid-up capital, and (ii) reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of cash 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.

ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED BALANCE SHEET OF ING BANK

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

ASSETS AND LIABILITIES BY MATURITY

2005	Less than one month	1 – 3 months	3 – 12 months	1 – 5 years	Over five 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 or loss							
- trading assets						149,787	149,787
- non trading derivatives	120	139	173	1,547	3,801		5,780
- designated as at fair value through profit or loss	107	309	1,184	2,909	4,963		9,472
Investment securities:							
- 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 or loss							
- trading liabilities						92,057	92,057
- non trading derivatives	123	151	1,565	1,292	2,462		5,593
- designated as at fair value through profit or 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
- Investment property
- Investments in associates

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING BANK
(CONTINUED)

ASSETS AND LIABILITIES BY MATURITY

2004	Less than one month	1 – 3 months	3 – 12 months	1 – 5 years	Over five years	Maturity not applicable	Total
ASSETS							
Cash and balances with central banks	7,834						7,834
Amounts due from banks	4,797	29,319	4,037	4,389	2,542		45,084
Financial assets at fair value through profit or loss:							
- trading assets						79,579	79,579
- other	127	707	704	1,225	571		3,334
Investment securities:							
- available-for-sale	3,958	2,575	7,844	55,237	93,435	1,166	164,215
Loans and advances to customers	88,764	9,906	15,482	45,798	138,693		298,643
Remaining assets (where maturities are not applicable) (1)						21,346	21,346
Total assets	105,480	42,507	28,067	106,649	235,241	102,091	620,035
LIABILITIES							
Amounts due to banks	66,067	14,610	11,285	2,832	1,084		95,878
Customer deposits and other funds on deposit	318,715	10,494	8,101	7,926	6,859		352,095
Financial liabilities at fair value through profit or loss							
- trading liabilities						53,847	53,847
Debt securities in issue	329	25,442	16,112	19,151	8,497		69,531
Other liabilities	4,291	1,587	4,394	3,060	1,500		14,832
Subordinated loans		222	620	4,295	13,313		18,450
Total liabilities	389,402	52,355	40,512	37,264	31,253	53,847	604,633

(1) Included in remaining assets where maturities are not applicable are:
- Property and equipment
- Investment property
- Investments in associates
- Intangible assets
- Other assets

DERIVATIVES AND HEDGE ACCOUNTING
ING Bank manages the various risks it is exposed to as described in the Risk Management section. In managing these risks ING Bank uses economic hedges, i.e. positions with opposite risk profiles to reduce the total risk exposure. 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. Both at inception and during the hedge relationship it can be concluded that the hedge does not (longer) qualify for hedge accounting. As a result, the volatility from these hedges in the profit and loss account may be higher than would be expected from an economic point of view.

Interest rate risk
ING Bank uses various derivative instruments to manage its exposure to interest rate risk. The main products used to manage interest rate risk are interest rate swaps and cross-currency interest rate swaps. Hedge accounting is applied using fair value hedge accounting or cash flow hedge accounting for positions that meet the criteria under IFRS-EU.

Foreign exchange risk
The most significant foreign exchange risk relates to foreign currency exposures on foreign subsidiaries and Tier-1 capital denominated in US Dollars. ING reduces these exposures by entering into derivatives (including currency forwards and swaps) and non-derivative financial instruments such as funding denominated in foreign currencies. Hedge accounting is applied using net investment hedge accounting or fair value hedge accounting for those positions that meet the criteria under IFRS-EU.

Credit 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. Generally, no hedge accounting is applicable for credit derivatives.

MAXIMUM CREDIT EXPOSURE
Credit risk in the non-trading environment mainly relates to loans to customers, non-trading derivatives and investments. For loans to customers and non-trading derivatives the balance sheet value approximates the maximum credit exposure for these items. For the investments maximum credit exposure is best represented by the cost (2005: EUR 176,735 million; 2004: EUR 162,393 million).

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.

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	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Investments	**3,533**	2,847	**4,245**	4,813		1			**7,778**	7,661
Lending	**1,101**	3,264	**1**	2	**116**	9			**1,218**	3,275
Banks	**328**	42	**899**	589	**375**				**1,602**	631
Other assets	**1,712**	339	**912**	1,448	**328**	41	**84**		**3,036**	1,828
	6,674	6,492	**6,057**	6,852	**819**	51	**84**		**13,634**	13,395

OFF-BALANCE SHEET ARRANGEMENTS

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

	2005	2004
Contingent liabilities in respect of:		
– discounted bills	**5**	4
– guarantees	**15,925**	17,060
– irrevocable letters of credit	**7,436**	6,233
– other	**396**	378
	23,762	23,675
Irrevocable facilities	**85,098**	69,011
	108,860	92,686

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 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 in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers' assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

SPECIAL PURPOSE ENTITIES (SPEs) AND SECURITISATION

ING Bank has established a number of SPEs and engages in activities with SPEs, for example as investor, administrator or provider of other financial services. A number of SPEs which are controlled by ING Bank are included in the consolidated financial statements.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING BANK
(CONTINUED)

The non-consolidated SPEs primarily relate to commercial paper programmes. In the normal course of business, ING Bank structures financing transactions for its clients 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 and controlling interest in the SPE nor does it service the transferred assets, the SPE is not included in the consolidated financial statements.

ING Bank supports the commercial paper programs by providing the SPE with short-term stand by 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 - in addition to normal liquidity facilities - to a certain extent covers the credit risk incorporated in these programs itself, 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 stand by facilities and the structured facilities are reported under irrevocable facilities.

Collateralised debt obligations (CDO)-transactions
Within ING Bank, SPEs are used for CDO transactions. In a typical CDO transaction an SPE is used to issue structured, rated securities which are backed (or collateralised) by a pool of transferable debt securities. In these transactions ING often has different roles:

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

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

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

FUTURE RENTAL COMMITMENTS

FUTURE RENTAL COMMITMENTS FOR LEASE CONTRACTS AS AT 31 DECEMBER 2005

2006	**226**
2007	**151**
2008	**145**
2009	**143**
2010	**137**
Years after 2010	**282**

LEGAL PROCEEDINGS
ING Bank companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, management does not believe that their outcome will have a material adverse effect on the Bank's financial position or results of operations.

In the Netherlands ING Bank N.V., together with other major Dutch banks and the payment processor Interpay (in which ING Bank N.V. is a minority shareholder), were subject of an examination by the Dutch competition authority 'Nederlandse Mededingings-autoriteit' or NMa. In April 2004, the NMa has adopted a decision which indicated that ING Bank N.V. and other Dutch banks should have sold payment processing services on an individual basis and imposed a fine of EUR 3.9 million on ING Bank N.V. At the time of the decision, the banks had already decided that they would henceforth sell payment processing services individually. Furthermore, the NMa held that Interpay committed a separate infringement by charging prices for its services that were anti-competitive. Both Interpay and the Dutch banks (including ING Bank N.V.) have appealed the NMa decision. In December 2005, the NMa decided to reduce the fines imposed on the banks (for ING Bank N.V. to EUR 3.3 million) and to repeal the decision regarding Interpay. ING Bank N.V. has decided not to file an appeal against this decision.

Like many other companies in the mutual funds, suppliers of brokerage and investment products industries, several of our companies have received informal and formal requests for information from various governmental and self-regulatory agencies or have otherwise identified issues arising in connection with fund trading, compensation, conflicts of interest, anti-competitive practices and sales practices. ING Bank is responding to the requests and working to resolve issues with regulators. We believe that any issues that have been identified thus far do not represent a systematic problem in the ING Bank businesses involved and in addition that the outcome of the investigations will not have a material effect on ING Bank.

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 the 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.

JOINT VENTURES

Joint ventures are included proportionally in the consolidated financial statements.

MOST SIGNIFICANT JOINT VENTURES

2005	Interest held (%)	Assets	Liabilities	Income	Expense
Postkantoren B.V.	**50**	**169**	**132**	**241**	**238**
ROW vof	**50**	**13**	**1**	**6**	**1**
		182	**133**	**247**	**239**
2004					
NMB Heller	50	1,130	1,105	63	67

RELATED PARTIES

In the normal course of business, the Bank enters into various transactions with related companies. Related companies comprise non-consolidated entities and the non-consolidated part of joint ventures. These transactions are not considered material to the Bank, either individually or in the aggregate. 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 at arm's length basis.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	Joint ventures	Asso-ciates	Joint ventures	Asso-ciates
		2005		2004
Receivables	**193**	**340**	142	231
Liabilities	**99**	**35**	31	27
Guarantees issued in favour of		**3**	124	2

Income received from and expenses paid to joint-ventures were EUR 7 million and EUR 71 million respectively (2004: EUR 5 million and EUR 150 million respectively) and income received from and expenses paid to associates were EUR 90 million and EUR 1 million respectively (2004: EUR 6 million and nil respectively).

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 25 Staff costs and Note 14 Other liabilities.

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.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING BANK
(CONTINUED)

TRANSACTIONS WITH ING GROEP N.V. AND ING VERZEKERINGEN N.V.

	ING Groep N.V. 2005	ING Verzekeringen N.V. 2005	ING Groep N.V. 2004	ING Verzekeringen N.V. 2004
Receivables	**134**	**3,861**	58	4,297
Liabilities	**533**	**435**	373	1,313
Expenses paid	**72**	**37**	11	165
Income received	**97**	**219**	151	172

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 comply with 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 2005	Balance sheet value 2005	Estimated fair value 2004	Balance sheet value 2004
FINANCIAL ASSETS				
Cash and balances with central banks	**10,718**	**10,718**	7,834	7,834
Amounts due from banks	**47,546**	**47,466**	46,951	45,084
Financial assets at fair value through profit or loss:				
- trading	**149,787**	**149,787**	79,579	79,579
- non-trading derivatives	**5,780**	**5,780**		
- designated as at fair value through profit or loss	**9,472**	**9,472**		
- other			3,334	3,334
Investments:				
- available-for-sale	**161,199**	**161,199**	169,842	164,215
- held-to-maturity	**19,466**	**18,937**		
Loans and advances to customers (1)	**395,842**	**391,067**	292,224	287,137
Other assets (2)	**23,736**	**23,736**	19,152	19,152
	823,546	**818,162**	618,916	606,335
FINANCIAL LIABILITIES				
Amounts due to banks	**122,317**	**122,234**	96,816	95,878
Customer deposits and other funds on deposit	**466,540**	**466,154**	352,986	352,095
Debt securities in issue	**73,790**	**73,295**	70,163	69,531
Financial liabilities at fair value through profit or loss:				
- trading	**92,057**	**92,057**	53,847	53,847
- non-trading derivatives	**5,593**	**5,593**		
- designated as at fair value through profit or loss	**11,562**	**11,562**		
Other liabilities (3)	**16,762**	**16,762**	13,629	13,629
Subordinated loans	**20,582**	**18,781**	20,186	18,450
	809,203	**806,438**	607,627	603,430

(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 on a fair basis 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 or loss

The fair values of securities in the trading portfolio and other assets at fair value through profit or 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.

Other assets

The carrying amount of other assets is not materially different than the fair value.

FINANCIAL LIABILITIES

Preference shares and 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 or loss

The fair values of securities in the trading portfolio and other liabilities at fair value through profit or 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.

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.

ADDITIONAL INFORMATION TO THE CONSOLIDATED BALANCE SHEET OF ING BANK
(CONTINUED)

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

REGULATORY REQUIREMENTS
ING Bank
Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and 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 OF ING BANK

	2005	2004
Equity attributable to the equity holders of the ING Bank N.V.	**21,331**	14,894
Third-party interests	**482**	508
Subordinated loans qualifying as Tier-1 capital (1)	**5,764**	5,025
Goodwill	**-77**	-41
Minority interest Record Bank	**170**	
Revaluation reserve (2)	**-4,262**	-386
Core capital - Tier 1	**23,408**	20,000
Supplementary capital - Tier 2	**11,605**	10,533
Available Tier-3 funds	**363**	357
Deductions	**-650**	-534
Qualifying capital	**34,726**	30,356
Risk-weighted assets	**319,653**	274,138
Tier-1 ratio	**7.32%**	7.30%
BIS ratio	**10.86%**	11.07%

(1) Subordinated loans qualifying as Tier-1 capital have been placed by ING Groep N.V. with ING Bank N.V.
(2) Revaluation reserve and the Unrealised revaluation through profit and loss are deducted as they are not part of Tier-1 capital (included in Tier 2).

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

INCOME

17 NET INTEREST INCOME

NET INTEREST INCOME	2005	2004
Interest income on loans	**18,741**	15,846
Interest income on impaired loans	**-23**	-84
Total interest income on loans	**18,718**	15,762
Interest income on available-for-sale investment securities	**5,989**	6,175
Interest income on held-to-maturity investment securities	**639**	
Interest income on trading portfolio	**15,237**	883
Interest income on non-trading derivatives	**5,658**	
Other interest income	**1,911**	2,458
Total interest income	**48,152**	25,278
Interest expense on deposits by banks	**2,371**	1,351
Interest expense on customer deposits and funds on deposit	**11,960**	9,440
Interest expense on debt securities	**2,911**	2,688
Interest expense on subordinated loans	**1,073**	892
Interest on trading liabilities	**13,369**	
Interest on non-trading derivatives	**5,821**	
Other interest expense	**1,502**	2,336
Total interest expense	**39,007**	16,707
Net interest result	**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 Net interest income. 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, ANALYSED ON A PERCENTAGE BASIS OF THE NETHERLANDS AND INTERNATIONAL OPERATIONS	2005	2004
Netherlands	**1.28**	1.35
International	**0.85**	0.90
Overall	**1.16**	1.22

In 2005, the growth of the average total assets caused an increase of the interest result amounting to EUR 1,214 million (2004: EUR 1,183 million). 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).

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK
(CONTINUED)

18 INCOME FROM INVESTMENTS

INVESTMENT INCOME	2005	2004
Income from disposal of group companies	**415**	-29
Income from investment property	**194**	248
Movement in fair value of investment property	**59**	62
Income from investments in shares	**71**	151
Income from investments in debt securities	**12**	
	751	432

The increase in Income from disposal of group companies is mainly caused by profits made on the sale of shares in Baring Asset Management and ING Bank Slaski.

19 GAINS AND LOSSES FROM INVESTMENTS

GAINS AND LOSSES FROM INVESTMENTS	2005	2004
Realised result on disposal of equity securities	**170**	45
Realised result on disposal of debt securities	**60**	
Impairments of available-for-sale equity securities	**-45**	
	185	45

20 COMMISSION INCOME

FEE AND COMMISSION INCOME	2005	2004
Funds transfer	**645**	620
Securities business	**905**	946
Management fees	**787**	869
Brokerage and advisory fees	**152**	140
Insurance broking	**115**	136
Other	**645**	624
	3,249	3,335

FEE AND COMMISSION EXPENSES	2005	2004
Funds transfer	**56**	45
Securities business	**264**	281
Management fees	**139**	103
Brokerage and advisory fees	**6**	1
Other	**383**	324
	848	754

21 VALUATION RESULTS FROM NON-TRADING DERIVATIVES

VALUATION RESULTS FROM NON-TRADING DERIVATIVES	2005
Change in fair value of derivatives - fair value hedges	**-425**
Change in fair value of derivatives - cash-flow hedges (ineffective portion)	**-1**
Change in fair value of other non-trading derivatives	**331**
Net result on non-trading derivatives	**-95**
Change in fair value of assets and liabilities (hedged items)	**421**
Valuation results on assets and liabilities designated at fair value through profit or loss	**-111**
Net valuation results	**215**

22 NET TRADING INCOME

NET TRADING INCOME	2005	2004
Results from securities trading	**660**	365
Results from foreign exchange transactions	**378**	566
Other	**-617**	-305
	421	626

Results from foreign exchange transactions include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities. 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.

The portion of trading gains and losses for the years ended 31 December 2005 and 2004 that relates to trading securities still held at 31 December, amounts to EUR 7 million and EUR -154 million respectively.

23 OTHER INCOME

OTHER INCOME	2005	2004
Share of profit from associates	**140**	34
Operating lease income	**72**	112
Negative goodwill		26
Other income	**489**	236
	701	408

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK
(CONTINUED)

EXPENDITURE

24 OTHER IMPAIRMENTS

OTHER IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENTS RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

	Impairment losses		Reversals of impairments		Total	
	2005	2004	**2005**	2004	**2005**	2004
Property and equipment	**81**	83	**-27**		**54**	83

Impairment on Loans and advances to customers are presented under Additions to the provision for loan losses. Impairments on investments are presented under Gains and losses from investments.

25 STAFF COSTS

BREAKDOWN OF STAFF COSTS

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

PENSION AND OTHER STAFF-RELATED LIABILITY COSTS

	Pension		Post-retirement benefits other than pensions		Other		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Current service cost	**300**	271	**27**	18	**32**	4	**359**	293
Past service cost	**136**				**5**		**141**	
Interest expenses	**393**	473	**22**	18	**33**	14	**448**	505
Expected return on assets	**-443**	-404			**-22**	-11	**-465**	-415
Amortisation of unrecognised actuarial gains and losses	**-2**						**-2**	
Effect of curtailment or settlement	**-11**		**-270**		**-3**		**-284**	
Defined benefit post-employment plans	**373**	340	**-221**	36	**45**	7	**197**	383
Defined contribution plans							**59**	71
							256	454

Contributions to defined contribution plans are generally determined as a percentage of pay.

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

REMUNERATION EXECUTIVE BOARD AND SUPERVISORY BOARD

REMUNERATION EXECUTIVE BOARD

	2005
Base salary	**1.4**
Short-term performance-related bonus	**1.2**
Pension costs	**1.0**
Termination benefits	**0.1**
Fair market value of options and shares granted	**0.4**
	4.1

REMUNERATION SUPERVISORY BOARD

	2005
Base salary	**0.1**

For 2004 the remuneration costs for members and former members of the Executive Board of ING Bank amounted to EUR 4.9 million and for members and former members of the Supervisory Board EUR 0.1 million.

At 31 December 2005 loans and advances granted to the members of the Executive Board and Supervisory Board amounted to EUR 4.9 million and nil respectively (2004: EUR 4.6 million and nil respectively).

Stock option and share plans

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

ING Group holds directly or indirectly 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 2005 38,722,934, (2004: 29,427,538) own shares were held in connection to the option plan compared to 85,128,950 options outstanding. 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.

Exposure arising out of the share plan is not hedged. The obligations with regard to these plans will be funded by issuing own shares.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period, lapse. Option rights granted will remain valid until 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 depositary receipts 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 2005 2,907,101 shares have been granted to senior management and other employees remaining in the service of ING Bank.

Each 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.

MOVEMENTS IN OPTION RIGHTS

	Options outstanding		Weighted average exercise price	
	2005	2004	**2005**	2004
Opening balance	**49,266,799**	52,526,651	**25.41**	26.80
Granted	**7,852,009**	7,709,145	**23.24**	18.71
Exercised	**468,712**	40,905	**22.25**	18.57
Forfeited	**115,490**	609,771	**25.18**	20.31
Expired	**7,149,305**	10,318,321	**30.10**	29.46
Closing balance	**49,385,301**	49,266,799	**24.65**	25.41

The weighted average fair value of options granted in 2005 was EUR 3.48 (2004: EUR 3.61).

SUMMARY OF STOCK OPTIONS OUTSTANDING AND EXERCISABLE AS AT 31 DECEMBER 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 exercise price
0.00 – 15.00	**10,211,274**	**7.17**	**12.67**	**225,685**	**12.87**
15.00 – 20.00	**5,379,207**	**8.21**	**18.67**	**64,947**	**18.84**
20.00 – 25.00	**7,769,788**	**9.24**	**23.22**	**54,129**	**23.17**
25.00 – 30.00	**16,717,038**	**5.21**	**28.57**	**15,741,440**	**28.53**
30.00 – 35.00	**194,662**	**1.15**	**33.15**	**194,662**	**33.15**
35.00 – 40.00	**9,113,332**	**3.16**	**35.42**	**9,113,332**	**35.42**

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK
(CONTINUED)

The fair value of options granted is recorded as an expense under personnel expenses. The fair values have been determined by using an option-pricing model. This model takes the risk free interest rate into account, as well as the expected life of the options granted, the exercise price, the current share price, the expected volatility of the certificates of ING Groep N.V. shares and expected dividends in the range of EUR 1.07 to EUR 1.12.

26 OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES

	2005	2004
Depreciation of property and equipment	376	359
Computer costs	670	663
Office expenses	622	646
Travel and accommodation expenses	133	115
Advertising and public relations	619	566
External advisory fees	356	274
Other	1,194	1,057
	3,970	3,680
Addition/(release) of provision for reorganisation and relocation	86	82
	4,056	3,762

27 TAXATION

TAXATION BY TYPE

	2005	2004
Current taxation	1,007	922
Deferred taxation	-131	-24
	876	898

RECONCILIATION OF THE STATUTORY INCOME TAX RATE TO ING BANK'S EFFECTIVE INCOME TAX RATE

	2005	2004
Result before taxation	4,876	3,402
Statutory tax rate	31.5%	34.5%
Statutory tax amount	1,536	1,174
Associates exemption	-241	-175
Other income not subject to tax	-144	20
Differences caused by different foreign tax rates	18	-71
Adjustment to prior periods	-66	
Deferred tax benefit from previously unrecognised amounts	-241	
Current tax benefit from previously unrecognised amounts	-144	
Other	158	-50
Effective tax amount	876	898
Effective tax rate	18.0%	26.3%

SEGMENT REPORTING
AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

ING Bank's business segments relate to the internal segmentation by business lines. These include the business lines: Retail Banking, Wholesale 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 principles of the business segments are the same as those described under Accounting principles for the consolidated balance sheet and profit and loss account (see page 14). 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.

SECONDARY REPORTING FORMAT – GEOGRAPHIC 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.

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 OF ING BANK

	Whole-sale banking	Retail banking	ING Direct	Other	Total segments	Elimi-nations	Total Bank
2005							
Total income:							
Income - external	**6,808**	**5,611**	**1,830**	**-430**	**13,819**		**13,819**
Income - inter-segment	**-851**	**185**	**289**	**377**			
	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	**-323**	**-62**			**-385**		**-385**
Underlying profit before taxation	**2,276**	**1,815**	**617**	**-217**	**4,491**		**4,491**
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**
2004							
Total income:							
Income - external	7,251	4,454	1,177	-219	12,663		12,663
Income - inter-segment	-1,380	608	532	240			
	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	106	-7			99		99
Special items	41			3	44		44
Underlying profit before taxation	2,092	1,168	435	-150	3,545		3,545
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

SEGMENT REPORTING (CONTINUED)

INTEREST INCOME (EXTERNAL) AND INTEREST EXPENSE (EXTERNAL) BREAKDOWN PER BUSINESS LINES

	Wholesale Banking	Retail Banking	ING Direct	Other	Total Bank
2005					
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**
2004					
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

GEOGRAPHICAL SEGMENTS OF ING BANK

	Netherlands	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total Bank
2005										
Total income:										
Income - external	**5,602**	**2,748**	**3,361**	**1,682**	**-135**	**283**	**277**	**1**		**13,819**
Income - inter-segment	**-99**	**-482**	**530**	**-380**	**286**	**155**	**-10**			
	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**
2004										
Total income:										
Income - external	5,603	2,530	2,537	1,596	-41	250	186	2		12,663
Income - inter-segment	-304	-241	769	-444	156	60	4			
	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

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS OF ING BANK

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE

28 NET CASH FLOW FROM INVESTING ACTIVITIES

COMPANIES ACQUIRED AND DISPOSED OF

Amounts in billions of euros	Total acqui-sitions [1]	Total disposals
2005		
PURCHASE PRICE		
Purchase price	**-0.1**	**0.7**
Cash outflow / inflow on acquisition / disposal	**-0.1**	**0.7**
ASSETS		
Investments	**-1.5**	**0.7**
Loans and advances to customers	**-0.8**	**0.9**
Amounts due to banks	**-0.3**	**1.4**
Miscellaneous other assets	**-0.1**	**0.7**
LIABILITIES		
Amounts due to banks		**-0.1**
Customer deposits and other funds on deposits	**1.4**	**-2.5**
Miscellaneous other liabilities	**1.2**	**-0.9**
Net assets	**-0.1**	**0.2**
Third-party interests		
Net assets acquired	**-0.1**	**0.2**
2004		
PURCHASE PRICE		
Purchase price	-1.9	0.9
Cash outflow / inflow on acquisition / disposal	-1.9	0.9
ASSETS		
Investments	-2.9	1.0
Loans and advances to customers	-0.6	9.4
Financial assets at fair value through profit or loss		4.3
Miscellaneous other assets	-2.2	4.7
LIABILITIES		
Amounts due to banks		-5.3
Customer deposits and other funds on deposits	3.8	-11.0
Miscellaneous other liabilities	0.1	-1.2
Net assets	-1.8	1.9
Third-party interests		
Net assets acquired	-1.8	1.9

[1] Total acquisitions for 2005 relates to the acquisition of Eural N.V.

Acquisitions and disposals of group companies have been included in the cash flow from investing activities at cost or sales price, insofar as payment was made in cash. The cash in the company acquired/disposed has been eliminated from the cost or sales price.

29 NET CASH FLOW AND CASH AND CASH EQUIVALENTS

INTEREST AND DIVIDEND RECEIVED AND PAID

	2005	2004
Interest received	**44,194**	25,279
Interest paid	**32,413**	16,708
	11,781	8,571
Dividend received	**43**	18
Dividend paid	**701**	818

TREASURY BILLS AND OTHER ELIGIBLE BILLS INCLUDED IN CASH AND CASH EQUIVALENTS

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

INTRODUCTION

RISK FUNCTION

The ING Group Executive Board determines the risk appetite of ING Bank, aiming for a balance between risk, return and capital and sets risk policy and limits. The ING Group Chief Financial Officer (ING Group CFO) bears primary overall responsibility for the Group Risk Function. ING Bank has a Dual Signatory Approval structure whereby ING Group Executive Board members and the Corporate Risk Managers will take direct responsibility for specified matters (such as transactional approval) within the delegated authorities granted by the ING Group Executive Board.

The Risk Function is structured independently from the business lines and is organised through two departments:
- Corporate Credit Risk Management (CCRM) is responsible for the credit risk management of ING Bank;
- Corporate Market Risk Management (CMRM) is responsible for the market risk management and operational risk management of ING Bank.

The heads of these departments (Corporate Risk Managers) report to the ING Group CFO and bear direct responsibility for risk (mitigating) decisions. The Corporate Risk Managers advise the ING Group CFO and are responsible for the harmonisation and standardisation of risk-management practises. They are also responsible for risk definitions, policies, procedures, models and methodologies, measurement, monitoring and consolidated reporting.

The regional and local risk managers in the business lines have a functional reporting line to the Corporate Risk Managers; they ensure day-to-day risk analysis, proper measurement and controls, registration of risks and policy development within the overall risk governance framework.

RISK COMMITTEES

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

ING Group Credit Committee – Policy (GCCP)

GCCP advises on policies, methodologies and procedures related to credit, insurance, market and operational risks within ING Group. The GCCP meets on a monthly basis. This committee was created in 2005 as a result of the streamlining of risk management governance at an ING Group level.

ING Group Credit Committee – Transaction Approval (GCCTA)

GCCTA advises on transactions involving the taking of credit risk (including issuer investment risk). The GCCTA meets twice weekly. This committee was formerly known as the Central Credit Committee (CKC).

ING Provisioning Committee (IPC)

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)

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 MEASUREMENT

Risk management is described by risk category for ING Bank below. For ING Bank the following risk categories apply: credit risk, market risk and operational risk.

In the sections below, the risk categories are sub-divided by types of risk and for each type of risk the applicable risk measurement method that ING Bank practices is described, 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 business lines by means of top-down concentration limits for countries, individual borrowers and borrower groups. The aim is to expand relationship-banking activities, while maintaining stringent internal risk/return guidelines and controls.

In anticipation of the planned introduction of new global capital regulations from the Basel Committee, ING Bank has commenced a bank-wide Basel project led by CCRM. The goal of this project is to ensure ING Bank's compliance with the new regulations by the required implementation date of 31 December 2007. A key element of the project is the continued development, implementation and back-testing of in-house objective risk rating and loss-given default models for use in the credit approval process, risk reporting, performance monitoring and portfolio management. Simultaneously, ING Bank is refining its credit risk management governance and practices to conform to industry best practices and regulatory requirements.

Measurement

Credit risk

Credit risk is the risk of loss from the default by debtors or counterparties. Credit risks arise in ING Bank'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 whereby 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. Continually more sophisticated RAROC-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING Bank'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.

The credit exposure of ING Bank is mainly related to traditional lending to individuals and businesses. Loans to individuals are mainly mortgage loans secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Pre-settlement credit exposure arises also from trading activities, for instance in derivatives, repurchase transactions and securities lending/borrowing. ING Bank uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING Bank'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 Moody's and S&P equivalents.

RISK CLASSES: ING BANK PORTFOLIO, AS % OF TOTAL OUTSTANDINGS[1]

in percentages	**2005**	2004
AAA (1)	**13.8%**	11.8%
AA (2-4)	**22.1%**	21.9%
A (4-7)	**9.5%**	10.9%
BBB (8-10)	**21.6%**	22.5%
BB (11-13)	**27.6%**	29.1%
B (14-17)	**4.0%**	2.3%
Watch / Problem Grade (18-22)	**1.4%**	1.5%
	100.0%	100.0%

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

The shift from mid-grade (BB-BBB) assets to high quality (AA-AAA) assets is the result of the continuing growth of ING Direct.

RISK CONCENTRATION: ING BANK PORTFOLIO, BY ECONOMIC SECTOR

in percentages	**2005**	2004
Construction, infrastructure & Real estate	**5.7%**	4.3%
Financial institutions	**39.4%**	39.6%
Private individuals	**28.1%**	28.9%
Public administration	**9.2%**	8.6%
Services	**2.1%**	2.1%
Other	**15.5%**	16.5%
	100.0%	100.0%

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 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.
In 2005, ING Bank added EUR 88 million to the provision for loan losses, compared with EUR 465 million in 2004. The addition equalled 3 basis points of average credit-risk-weighted assets in 2005, compared with 18 basis points in 2004. ING Bank is of the opinion that its loan-loss provisions as of 31 December 2005 are adequate to absorb losses from ING Bank's credit risk taking activities.

Country risk
Country risk is the risk that ING Bank faces which is 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 Bank 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 Bank or its counterparties to meet their respective foreign currency obligations due to a specific country event.

In countries where ING Bank is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating and ING Bank'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.

LARGEST ECONOMIC EXPOSURES: ING BANK LENDING PORTFOLIO, BY COUNTRY(1)

amounts in billions of euros	2005	2004
Netherlands	**176.8**	178.4
United States of America	**69.8**	58.2
Germany	**67.9**	60.5
Belgium	**56.5**	43.3
Spain	**42.2**	33.9
United Kingdom	**39.2**	41.3
Italy	**19.1**	16.5
Australia	**18.8**	15.6
France	**17.3**	25.2
Canada	**16.7**	11.5

(1) only covers exposures in excess of EUR 10 billion.

The methodology for 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 which is a function of the risk of the country as well as the risk of the transaction itself.

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

For those transactions where DVP settlement is not possible, ING Bank establishes settlement limits through the credit approval process. Settlement risk is then monitored and managed 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 Bank 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.

Collateral policies
As with all financial institutions, ING Bank is in the business of taking credit risks. As such, we continually evaluate the creditworthiness of our customers, trading partners and investments for their ability to meet their financial obligations to ING Bank. During the assessment process of creating new loans, acquiring securities, as well as reviewing existing loans and securities positions, ING Bank determines the amount and type of collateral, if any, that a customer may be required to pledge to ING Bank. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more collateral the customer or counterparty will have to provide. Within counterparty trading activities, ING Bank actively enters into various legal arrangements whereby counterparties (or ING Bank) may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING Bank can receive or pledge. Additionally, ING Bank will sometimes enter into credit default swaps, and other similar instruments, in order to reduce the perceived credit risk on a given borrower or portfolio.

Restructuring
In some cases, ING Bank will work with the obligor and its other creditors, if any, to restructure the company and its financial obligations in order to minimise any financial losses to the creditors as a whole, and ING Bank in particular. This can be accomplished through many means available to the creditors, the most common of which are (1) extending the repayment period, (2) selling assets; (3) selling business lines of the debtor, (4) forgiving part of the financial obligations, and (5) a combination of the above. The decision to enter into such a restructuring is made only after careful internal assessment and an internal approval. Once a restructuring is completed, the obligor is again subject to normal credit risk monitoring procedures.

Past-due obligations
ING Bank continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios (such as residential mortgages, consumer loans and policy loans) 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 are considered to be operational risk. After this period, letters will be sent to the obligor reminding it of its (past due) payment obligations. If payment has not been made after 90 days, the obligation is generally considered impaired and transferred to one of the 'problem loan' units. In order to reduce the number of arrears, most ING Bank units encourage obligors to set up automatic debits from their accounts to ensure timely payments.

There is no significant concentration of a particular type of loan structure in the watch-list or the impaired loan portfolio. As such, the make up of the collateral received generally mirrors that of the portfolio as a whole.

Generally, all loans with past due financial obligations of more than 90 days past due 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 Bank's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

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

MARKET RISK
General
Market risk arises from trading and non-trading activities within the three business lines of ING Bank:
- ING Wholesale Banking: Trading market risks arise within ING Wholesale Banking primarily through market making, client facilitation and proprietary trading in the fixed income, equities and foreign exchange markets and directly related derivative markets. ING has no material commodity portfolios. Trading positions are marked to market daily. ING Bank's policy is to maintain an internationally diversified and mainly client-related trading portfolio, while avoiding large risk concentrations. Non-trading market risk is transferred to the asset & liability management (ALM) books; these are structural interest rate mismatch positions that result from commercial banking activities.
- ING Retail Banking: ING Bank identifies non-trading residual market risk that results from banking products of which the future cash flows depend on client behaviour, like current accounts, saving accounts and mortgages.
- ING Direct: Within ING Direct no trading positions are maintained; the market risks are characterised as a combination of ALM and market risk arising from retail products.

Measurement

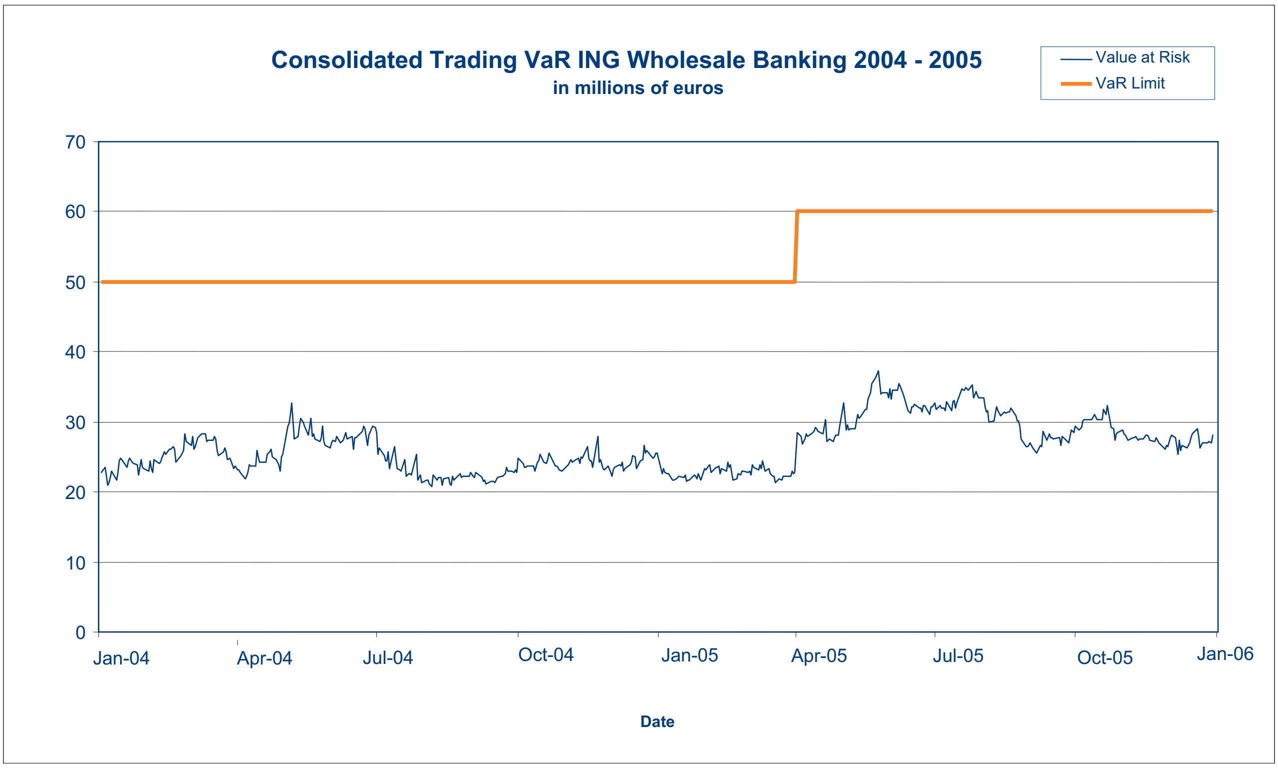
Trading risk

ING Wholesale Banking uses the Value-at-Risk (VaR) methodology as the primary risk measure. 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 Bank needs to hold to cover possible losses from trading activities.

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. euribor 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.

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

The following chart shows the development of the overnight VaR for the ING Wholesale Banking trading portfolio which was managed by trading risk management during 2004 and 2005. Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table below and included in the trading risk graph and table below. In addition, several lesser significant banking books are included in both the trading risk and non-trading risk tables. Therefore, there is a small overlap between trading and non-trading risks as described in the paragraphs below.



During 2004 and 2005 the overnight VaR for the ING Wholesale Banking trading portfolio was continuously within the range of EUR 20 – 40 million. As of 1 April 2005 Treasury and Investment portfolios are included in the overall ING Wholesale Banking trading VaR limit structure. This resulted in an increase of the VaR figures. At the same time the ING Wholesale Banking trading limit has been adjusted from EUR 50 million to EUR 60 million.

The average exposure over 2005 was higher than 2004 (average VaR 2005: EUR 28 million and average VaR 2004: EUR 25 million). The VaR remained well within the ING Wholesale Banking trading limit. The interest rate markets provided the largest contribution to the trading VaR.

More details on the VaR of the ING Wholesale Banking trading portfolio for 2005 and 2004 are provided in the table below.

CONSOLIDATED TRADING VAR: ING WHOLESALE BANKING, BY PORTFOLIO

	Low	High	Average	Year end 2005	Low	High	Average	Year end 2004
Foreign exchange	**1**	**5**	**3**	**2**	2	11	4	3
Equities	**7**	**13**	**10**	**9**	5	12	8	9
Interest	**14**	**30**	**21**	**22**	13	28	19	16
Diversification(1)			**-6**	**-6**			-6	-2
Total VaR			**28**	**27**			25	26

(1) Diversification cannot be calculated for the columns Low and High since the observations for both the individual markets as well as total VaR may come from different dates.

Note: the above captions are consistent with those used for internal risk management purposes and do not relate to financial statement captions.

Although VaR models estimate potential future results, estimates are based on historical market data. ING Bank 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 Bank also uses hypothetical results, which measures results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an 'occurrence' has taken place. Based on ING Bank's one-sided confidence level of at least 99% an occurrence is expected, on average, once in every 100 business days. In 2005, there has been no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Wholesale Banking.

Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING Bank uses structured stress testing 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 P&L effect caused by a potential event and its world-wide impact for ING Wholesale Banking. The event-risk policy (and its technical implementation) is specific for ING Bank as there is no event risk calculation method that is generally accepted by other banks and regulators (like the Value-at-Risk model). ING Bank'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 parameters indicate historical maximum market movements within the time frame of one month. The scenarios and stress parameters are backtested against extreme market movements that actually occur in the markets.

Non-trading risk- interest rate risk

The non-trading books primarily consist of banking (commercial) books and ALM books. Within ING Bank the commercial business units are not allowed to run structural mismatch positions in their banking books. As a result of this policy all structural interest-rate risks are replicated to the ALM books of the designated Treasury departments within ING Wholesale Banking. The management of structural interest-rate mismatch positions is performed within the Treasury function. The commercial business units bear responsibility for the remaining interest-rate risks that result from banking products of which future cash flows depend on client behaviour, like saving accounts and mortgages. Within ING Direct the interest rate risks from the ALM books and the commercial banking books are measured and managed on an integrated level.

Within ING Bank several methods are in place to model the interest-rate characteristics of demand deposits, saving accounts and mortgages. This is done via replicating portfolio models whereby the interest rate character is modelled taking into account the contractual and behavioural characteristics of these products. All models and assumptions are back-tested regularly and presented to the designated Asset & Liability Committee for approval. Historical simulation is used to determine the duration and the investment rules for saving accounts and demand deposits, taking into account historical client rates, outstanding volumes and market rates. The investment rules are tested on their suitability through volatility/correlation analysis and updated regularly. To estimate future prepayment rates of mortgages, a model is applied based on historical observed prepayments.

ING Bank uses several measures to control interest-rate risk. The most important ones are Value-at-Risk (VAR) and Earnings-at-Risk (EaR). EaR measures the pre-tax loss of net accrual interest income resulting from changes of market interest rates over a time period of one year. The EaR calculations differ per book. For the ALM books it measures the potential loss of net accrual interest due to the structural mismatch in interest rate positions. In these calculations it is assumed that all gaps are to be reinvested or refunded at the changed market rates. The calculations capture the earnings risk in the current ALM book and do not consider the impact of new business. For the commercial banking books the EaR captures the basis risk between market interest rates and the client rates of saving accounts and demand deposits. For these books the impact of new business is included in the EaR calculations.

The VaR figures represent the value impact to the banking books as result of changing market rates. For the commercial banking books the VaR 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 portfolios. For the ALM books the VaR figures capture the potential change of value due to the structural mismatch in interest rate positions.

The interest rate risk that results from the investment of the Bank's own funds (equity) is isolated under the ING Bank Corporate line. In these calculations it is assumed that the Bank's own funds are not sensitive to market rate changes (the duration of equity is assumed to be zero anticipating future regulatory requirements).

In the table below both the EaR figures and the VaR figures for the large banking books (representing approximately 95% of the banking book) are presented as result of a parallel instantaneous shock to the market rates of 2%. The VaR figures are therefore calculated under a different scenario than the traditional VaR figures for the trading books.

EARNINGS-AT-RISK BY BUSINESS LINES (2% SHOCK TO MARKET RATES)

	2005
ING Wholesale Banking	-158
ING Retail Banking	-95
ING Direct	-513
ING Bank Corporate Line	33
ING Bank Total	-733

VAR BY BUSINESS LINES (2% SHOCK TO MARKET RATE)

	2005
ING Wholesale Banking	-1,023
ING Retail Banking	-619
ING Direct	-69
ING Bank Corporate Line	-1,492
ING Bank Total	-3,203

Note: Several banking books are governed by the trading risk process and are therefore excluded from the non-trading risk table and included in the above trading risk table. In addition, several lesser significant banking books are included in both the trading risk and non-trading risk tables. Therefore, there is a small overlap between trading and non-trading risks as described above. Information on interest sensitivity for internal management purposes is calculated on an adverse shock basis only. Accordingly the effects of favourable interest rate movements are not disclosed.

The ING Bank EaR is mainly caused by the EaR contributions of EUR (EUR -250 million), USD (EUR -297 million) and GBP (EUR -188 million) interest rate exposure. The main contributing portfolios of the EaR are the savings and demand deposits portfolios (short-term earnings will be affected) and the ALM books.

Non-trading risk – foreign exchange risk

ING Bank takes on exposure to foreign-exchange fluctuations on its financial position and cash flows. Currency exposures in the non-trading books are largely transferred by way of internal transactions to Financial Markets Treasury, which performs the day-to-day management of all foreign-currency positions.

The most material foreign exchange risk in the non-trading books relates to translation risk due to foreign investments and USD-denominated Tier-1 capital. The translation risk is managed by Capital Management on behalf of ALCO Bank. For ING Bank's main foreign currencies, US dollar, Pound sterling and Polish zloty, the translation risk is managed taking into account the effect of translation results on the Tier-1 ratio. For all other currencies the translation risk is managed within a VaR limit.

OVERNIGHT EXPOSURE ING BANK, FOR PRIMARY NON-TRADING CURRENCIES

	Foreign invest-ments	Tier-1	Gross exposure	Hedges	Net position
2005					
US dollars	**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**
2004					
US dollars	3,730	-2,675	1,055	-1,131	-76
Pound sterling	-1,250		-1,250	1,299	49
Polish zloty	642		642	-399	243
South Korean won	477		477	-438	39
Other currency	431		431	-191	240
Total	4,030	-2,675	1,355	-860	495

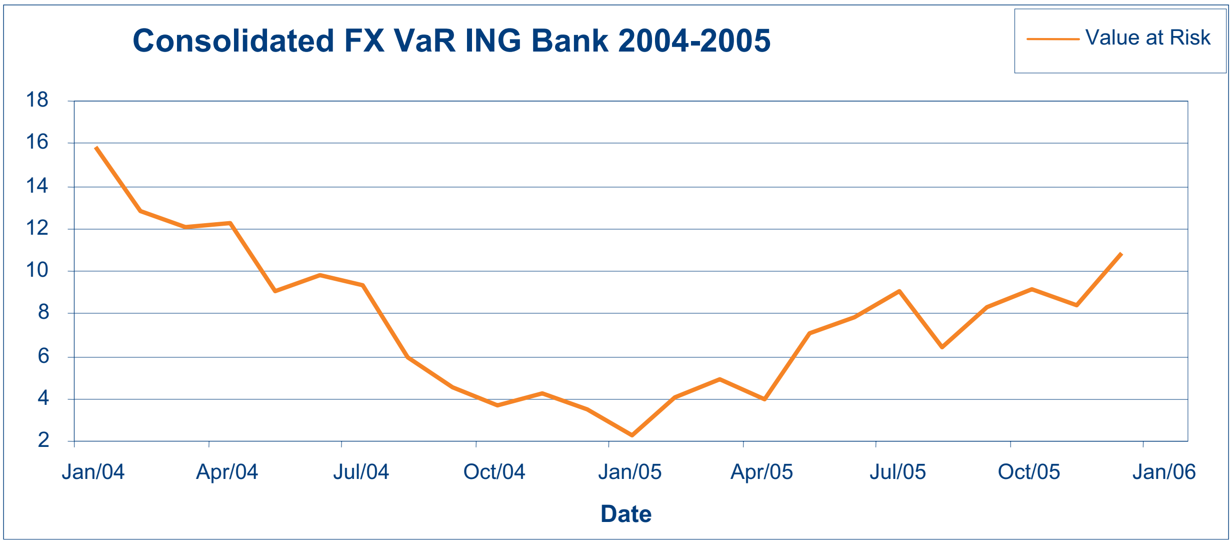
The amount of USD and Korean Won capital invested in foreign investments has increased significantly during 2005. For USD the main reasons were higher retained earnings and the impact of the introduction of IFRS-EU accounting rules (i.e. revaluation reserves relating to fixed income securities). The increase in Korean Won capital was caused by a higher valuation of Kookmin Bank equity stake.

While results on net investment hedges are taxable under Dutch fiscal rules, ING Bank has not chosen to adjust hedges to compensate for tax effects. As of the beginning of 2006 the majority of hedge results will no longer be taxable.

CONSOLIDATED NON-TRADING FX VAR ING BANK

	Low	High	Average	Year end **2005**	Low	High	Average	Year end 2004
FX VaR	**2**	**11**	**7**	**11**	4	16	9	4

The chart graph below provides an overview of the development of the FX VaR during 2004 and 2005.



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 Bank'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 is the day-to-day funding. It is 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 Bank 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 Bank'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 Bank has relatively large portfolios of unencumbered marketable assets. These marketable assets can provide liquidity through repurchase agreements or through sale. The majority of ING Bank's marketable assets are located in the euro zone.

The fourth component of ING Bank'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 Bank 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 Bank'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 Bank 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 Bank -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. The table below shows the liquidity position of ING Bank as at 31 December 2005 under the scenarios described above.

LIQUIDITY POSITION

	Weekly	Monthly
ING Bank	**111,165**	**24,512**

OPERATIONAL RISK

General

The aim for the ING Bank and local operational risk management departments is to support general management of the business lines, which is responsible for managing operational risk 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 appropriate operational risk management function will prepare ING Bank for the Basel II regulations applicable from 31 December 2007. ING Bank intends to apply for the Advance Measurement Approach, the most sophisticated risk capital charge option available under Basel II.

Measurement

ING Bank has defined operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. ING Bank distinguishes the following event types (based on the Basel Committee level 1 and 2 event types):

— processing failure
— control failure
— unauthorised activities
— internal crime/fraud
— external crime/fraud
— information security failure
— employment practices & workplace safety
— clients, products and business malpractice
— system failure
— business disruption

Each of these risks has a related function (e.g. Compliance, IT, Legal, Information Security, Finance, Human Resources, Operations) responsible for the management process and oversight of that risk.

Operational risk measurement as calculated in the economic capital model consists of two parts. The first part is a probabilistic model in which a generic capital per business unit is calculated based on an incident loss database and the relative size and inherent risk of the business units. The second part is the scorecard adjustment, which reflects the business unit specific level of Operational Risk Management, or ORM implementation.

To assess, monitor and manage operational risk, ING Bank has developed a sophisticated framework of activities which includes:
— risk awareness programmes and risk & control self assessments
— audit finding action tracking and incident reporting and analysis
— key-risk indicators reporting and local operational risk committees
— new-product reviews

The maturity of the ORM process is measured on an annual basis by a set of five scorecards assessing the ORM-framework activities. The Basel II progress reporting is based on these scorecards and supporting evidence.

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.

PARENT COMPANY COMPANY BALANCE SHEET OF ING BANK AS AT 31 DECEMBER
BEFORE PROFIT APPROPRIATION
AMOUNTS IN MILLIONS OF EUROS

amounts in millions of euros	2005	2004
ASSETS		
Cash and balances with central banks 1	5,172	4,148
Short-dated government paper 2	8,702	9,532
Amounts due from banks 3	45,514	28,840
Loans and advances to customers 4	218,971	167,119
Debt securities: 5		
- available-for-sale	20,469	15,517
- trading	21,826	16,788
Equity securities: 6		
- available-for-sale	1,150	438
- trading	4,813	5,491
Investments in group companies 7	25,131	20,807
Investments in associates 8	28	29
Intangible assets 9	44	42
Equipment 10	251	261
Other assets 11	24,110	5,780
Total assets	376,181	274,792
LIABILITIES		
Amounts due to banks 12	119,877	93,692
Customer deposits and other funds on deposit 13	136,694	91,334
Debt securities in issue	39,838	32,481
Other liabilities 14	39,492	25,093
General provisions 15	1,390	1,874
Subordinated loans 16	18,142	15,976
Total liabilities	355,433	260,450
EQUITY		
Share capital	525	525
Share premium	6,992	6,992
Revaluation reserve	4,262	455
Reserve for associates	47	103
Exchange differences reserve	183	-300
Other reserves	4,818	4,123
Net profit for the period	3,921	2,444
Capital and reserves 17	20,748	14,342
Third-party interest		
Total equity	20,748	14,342
Total liabilities and equity	376,181	274,792

References relate to the notes starting on page 76 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

amounts in millions of euros	**2005**	2004
Result of group companies after taxation	**3,330**	2,290
Other results after taxation	**591**	154
Net profit for the period	**3,921**	2,444

ACCOUNTING POLICIES FOR THE PARENT COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF ING BANK

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 Netherlands 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 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 Netherlands Civil Code.

The profit and loss account has been drawn up in accordance with Section 402, 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 Revaluation 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 Group 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 Reserve for associates, which forms part of Shareholders' equity.

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 5,172 million (2004: EUR 4,148 million).

2 SHORT-DATED GOVERNMENT PAPER

Short-dated government paper includes international government paper amounting to EUR 8,702 million (2004: EUR 9,532 million) for the company.

3 AMOUNTS DUE FROM BANKS

AMOUNTS DUE FROM BANKS

	2005	2004
Non-subordinated receivables from:		
Group companies	**14,550**	11,632
Third parties	**28,150**	14,976
	42,700	26,608
Subordinated receivables from:		
Group companies	**2,763**	1,675
Third parties	**51**	557
	45,514	28,840

As at 31 December 2005, amounts due from banks included receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 14,402 million (2004: EUR 10,996 million).

4 LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS – SUBORDINATED AND NON-SUBORDINATED

	2005	2004
Non-subordinated receivables from:		
ING Groep N.V.	**4,818**	1,300
Group companies	**64,158**	59,167
Third parties	**149,956**	106,600
	218,932	167,067
Subordinated receivables from:		
Group companies	**4**	3
Third parties	**35**	49
	218,971	167,119

As at 31 December 2005, assets held under finance lease contracts amounted to EUR 274 million (2004: 166 million).

As at 31 December 2005, the receivables included in Loans and advances to customers that are part of the trading portfolio amounted to EUR 18,193 million (2004: EUR 17,032 million).

Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 20,066 million (2004: EUR 19,919 million) for the company.

5 DEBT SECURITIES

DEBT SECURITIES BY ISSUER	2005	2004
Public sector	**26,538**	20,767
Other	**15,757**	11,538
	42,295	32,305

DEBT SECURITIES ANALYSED BY LISTING	2005	2004
Listed	**33,446**	26,628
Unlisted	**8,849**	5,677
	42,295	32,305

DEBT SECURITIES – SUBORDINATED AND NON-SUBORDINATED	2005	2004
Non-subordinated debt securities issued by:		
Associates	**141**	707
Group companies	**1,870**	997
Third parties	**40,284**	30,441
	42,295	32,145
Subordinated debt securities issued by:		
Third parties		160
	42,295	32,305

MOVEMENTS IN DEBT SECURITIES (AVAILABLE-FOR-SALE)	2005	2004
Opening balance	**15,517**	14,953
Implementation IAS 32/39	**2,448**	
Additions	**5,283**	8,897
Gains/(losses) from change in fair value	**127**	
Disposals and redemptions	**-3,440**	-8,320
Exchange differences	**95**	-28
Other movements	**439**	15
Closing balance	**20,469**	15,517

As at 31 December 2005, the cost of the trading debt securities amounted to EUR 21,826 million (2004: EUR 16,901 million).

As at 31 December 2005, an amount of EUR 17,971 million (2004: EUR 23,214 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 12,510 million as at 31 December 2005 (2004: EUR 3,402 million).

Borrowed debt securities are not recognised in the balance sheet and amount to EUR 47 million (2004: EUR 41 million) as at 31 December 2005.

NOTES TO THE PARENT COMPANY BALANCE SHEET OF ING BANK (CONTINUED)

6 EQUITY SECURITIES

EQUITY SECURITIES ANALYSED BY LISTING

	2005	2004
Listed	**5,718**	5,836
Unlisted	**245**	93
	5,963	5,929

MOVEMENTS IN AVAILABLE-FOR-SALE EQUITY SECURITIES

	2005	2004
Opening balance	**438**	423
Additions	**201**	26
Gains/(losses) from change in fair value	**426**	-23
Disposals	**-22**	-7
Exchange differences	**78**	19
Other movements	**29**	
Closing balance	**1,150**	438

As at 31 December 2005, the cost or purchase price of the shares in the trading portfolio approximates their fair value (2004: EUR 22 million lower). As at 31 December 2005, the cost or purchase price of shares in the available-for-sale portfolio was EUR 248 million lower (2004: nil) than the carrying amount.

7 INVESTMENTS IN GROUP COMPANIES

BREAKDOWN OF INVESTMENTS IN GROUP COMPANIES

	Interest held (%)	Balance sheet value 2005	Interest held (%)	Balance sheet value 2004
Name of investee:				
ING België N.V.	**100**	**6,717**	100	5,093
ING Direct N.V.	**100**	**5,137**	100	2,910
ING Financial Holdings Corporation (Holding U.S. entities)	**100**	**4,325**	100	3,419
ING Real Estate Management Holding B.V.	**100**	**1,912**	100	1,716
Postbank N.V.	**100**	**2,445**	100	2,357
Bank Slaski S.A.	**75**	**652**	88	601
‘t Oye Deventer BV	**100**	**626**	100	616
ING Lease Top Holding B.V.	**100**	**433**	100	381
Storeria B.V (holding company of ING BHF-Bank)			100	1,382
Other (including financing companies)		**2,884**		2,332
		25,131		20,807

As at 31 December 2005, Investments in group companies included credit institutions of EUR 16,336 million (2004: EUR 12,389 million). As at 31 December 2005, listed investments in group companies amounted to EUR 652 million (2004: EUR 616 million).

MOVEMENTS IN INVESTMENTS IN GROUP COMPANIES	2005	2004
Opening balance	**20,807**	16,916
Additions	**188**	20
Paid in share premium		2,157
Revaluations	**2,089**	154
Results from group companies	**3,330**	2,290
Dividends received	**-1,208**	-402
Disposals	**-263**	-165
Exchange differences	**853**	-395
Other movements	**-665**	232
Closing balance	**25,131**	20,807

8 INVESTMENTS IN ASSOCIATES

BREAKDOWN OF INVESTMENTS IN ASSOCIATES	Interest held (%)	Balance sheet value **2005**	Interest held (%)	Balance sheet value 2004
Name of investee:				
Atlas Investeringsgroep N.V.	**33**	**1**	33	9
Atlas Investors Partnership III C.V.	**21**	**4**	21	5
Interpay Nederland	**30**	**14**	30	8
Brands & Licenses betalingsverkeer Nederlands Holding B.V.	**30**	**2**		
		21		22
Receivables from associates		**7**		7
		28		29

MOVEMENTS IN ASSOCIATES	Investments in associates **2005**	2004	Receivables from associates **2005**	2004
Opening balance	**22**	26	**7**	20
Additions	**4**	2		
Repayments				-13
Share of results	**3**	1		
Dividends received	**-9**	-7		
Exchange differences	**1**			
Closing balance	**21**	22	**7**	7

9 INTANGIBLE ASSETS

MOVEMENTS IN INTANGIBLE ASSETS	Goodwill **2005**	2004	Software **2005**	2004	Total **2005**	2004
Opening balance	**12**		**30**	81	**42**	81
Additions	**8**	12	**20**	11	**28**	23
Depreciation			**-20**	-52	**-20**	-52
Impairments				-8		-8
Disposals			**-6**	-2	**-6**	-2
Closing balance	**20**	12	**24**	30	**44**	42

10 EQUIPMENT

MOVEMENTS IN EQUIPMENT

	Equipment	
	2005	2004
Opening balance	**261**	280
Additions	**130**	99
Changes in the composition of the group		5
Depreciation	**-135**	-114
Disposals	**-7**	-8
Exchange differences	**3**	
Other movements	**-1**	-1
Closing balance	**251**	261
Gross carrying amount as at 31 December	**693**	568
Accumulated depreciation as at 31 December	**-442**	-307
Net book value	**251**	261

11 OTHER ASSETS

OTHER ASSETS BY TYPE

	2005	2004
Derivatives	**12,864**	
Deferred tax assets	**128**	342
Income tax receivable	**939**	410
Accrued interests and rents	**5,698**	2,463
Other accrued assets	**192**	1,848
Other receivables	**4,289**	717
	24,110	5,780

As at 31 December 2005, an amount of EUR 1,998 million (2004: nil) 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	2005	2004
Group companies	**35,813**	34,353
Third parties	**84,064**	59,339
	119,877	93,692

13 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT BY GROUP COMPANIES AND THIRD PARTIES	2005	2004
Group companies	**14,820**	9,902
Third parties	**121,874**	81,432
	136,694	91,334

CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT	2005	2004
Savings accounts	**14,121**	13,331
Credit balances on customer accounts	**58,685**	43,141
Corporate time deposits	**51,329**	34,095
Other	**12,559**	767
Customer deposits and other funds on deposit	**136,694**	91,334

14 OTHER LIABILITIES

OTHER LIABILITIES BY TYPE	2005	2004
Derivatives	**11,782**	
Trading liabilities	**13,387**	12,365
Accrued interest	**13,896**	10,433
Costs payable	**334**	988
Income tax payable	**89**	25
Other taxation and social security contribution	**-21**	62
Other amounts payable	**25**	1,220
	39,492	25,093

As at 31 December 2005, an amount of EUR 1,195 million (2004: EUR 1,650 million) was expected to be settled after more than one year from the balance sheet date.

As at 31 December 2005, Other liabilities includes an amount of EUR 7.91 for seven preference shares with a par value of EUR 1.13 each (2004: EUR 7.91).

NOTES TO THE PARENT COMPANY BALANCE SHEET OF ING BANK (CONTINUED)

15 GENERAL PROVISIONS

GENERAL PROVISIONS

	2005	2004
Deferred tax payable	148	
Pension liabilities and other staff-related liabilities	583	1,112
Reorganisations and relocations	242	156
Other	417	606
	1,390	1,874

As at 31 December 2005, an amount of EUR 1,219 million (2004: EUR 1,445 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

	2005	2004
Group companies	6,164	5,226
Third parties	11,978	10,750
	18,142	15,976

SUBORDINATED LOANS BY TYPE

	2005	2004
Capital debentures	11,734	10,507
Private loans	6,408	5,469
	18,142	15,976

The average interest rate on the subordinated loans is 5.9% (2004: 5.6%). The interest expense during the year 2005 was EUR 1,074 million (2004: EUR 737 million).

17 CAPITAL AND RESERVES

CAPITAL AND RESERVES

	2005	2004
Share capital	525	525
Reserves	16,302	11,373
Profit available for distribution	3,921	2,444
Capital and reserves	20,748	14,342

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
		2005		2004
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

MOVEMENTS IN ISSUED SHARE CAPITAL

	Ordinary shares (par value EUR 1.13) Number x 1,000	Amount
Issued share capital as at 31 December 2005	465,035	525

No shares have been issued during 2004 and 2005.

STATEMENT OF CHANGES IN RESERVES

	Total	Preference share premium reserve	Share premium reserve	Revaluation reserve	Share of associates reserve	Currency translation reserve	Other reserves
Balance as at 1 January 2004	12,989	3,002	6,839	175	114		2,859
Unrealised revaluations after taxation:							
- revaluation	201			280	-10		-69
- transferred to income (realised)							
Exchange differences	-224					-224	
Employee stock options and share plans	27						27
Other movements	-166				-1	-76	-89
Profit appropriation previous year	1,505						1,505
Dividend	-818						-818
Paid in share premium	153		153				
Repayment preference share premium	-2,294	-3,002					708
Balance as at 31 December 2004	11,373		6,992	455	103	-300	4,123
Impact IAS 32/39	**2,302**			**3,409**			**-1,107**
Unrealised revaluations after taxation	**79**			**120**	**-56**		**15**
Unrealised revaluations from cash flow hedges	**238**			**238**			
Unrealised revaluations from net investment hedges	**-526**					**-526**	
Impairments	**40**			**40**			
Employee stock options and share plans	**27**						**27**
Exchange differences	**1,009**					**1,009**	
Other movements	**17**						**17**
Profit appropriation previous year	**2,444**						**2,444**
Dividend	**-701**						**-701**
Balance as at 31 December 2005	**16,302**		**6,992**	**4,262**	**47**	**183**	**4,818**

REVALUATION RESERVE

	2005	2004
The revaluation reserve relates to:		
Available-for-sale assets	**2,713**	64
Cash flow hedges	**1,077**	
Property in own use	**362**	322
Investment property	**110**	69
	4,262	455

The cash flow hedges reserve is included on a net basis.

ADDITIONAL INFORMATION TO THE PARENT COMPANY BALANCE SHEET OF ING BANK

ANALYSIS OF CERTAIN ASSETS AND LIABILITIES BY MATURITY

	Less than one month	1 – 3 months	3 – 12 months	1 – 5 years	Over five years	Maturity not applicable [1]	Total
2005							
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**
2004							
ASSETS							
Amounts due from banks	3,396	17,602	2,884	1,360	3,598		28,840
Loans and advances to customers	10,096	64,829	15,303	19,046	57,845		167,119
LIABILITIES							
Amounts due to banks	16,145	58,354	11,406	5,348	2,439		93,692
Customer deposits and other funds on deposit	43,589	34,365	5,082	4,093	4,205		91,334
Debt securities in issue	127	16,172	2,715	7,743	5,724		32,481
Subordinated loans		243	329	2,777	12,627		15,976

[1] In 2005 the trading portfolio is classified as maturity not applicable.

ASSETS NOT FREELY DISPOSABLE

	Customer deposits and other funds on deposit and debt securities in issue		Banks		Other contingent liabilities		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Investments	**3,289**	2,781		36			**3,289**	2,817
Lending	**524**	241			**72**		**596**	241
Banks			**407**	11			**407**	11
Other assets	**355**	60	**26**	23	**40**		**421**	83
	4,168	3,082	**433**	70	**112**		**4,713**	3,152

CONTINGENT LIABILITIES

CONTINGENT LIABILITIES BY TYPE

	2005	2004
Discounted bills		4
Guarantees	**24,029**	18,951
Irrevocable letters of credit	**4,286**	4,232
Other	**282**	78
Contingent debts	**28,597**	23,265
Irrevocable facilities	**32,715**	28,726
	61,312	51,991

CONTINGENT DEBTS

	2005	2004
Group companies	**15,291**	8,932
Third parties	**13,306**	14,333
	28,597	23,265

IRREVOCABLE FACILITIES

	2005	2004
Group companies	**886**	1,862
Third parties	**31,829**	26,864
	32,715	28,726

REMUNERATION

See note 25 staff costs to the consolidated annual accounts.

Amsterdam, 6 March 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
Wim Kok
Godfried J.A. van der Lugt
Paul J.A. Baron de Meester
Karel Vuursteen

THE EXECUTIVE BOARD

Michel J. Tilmant, *chairman*
Cees Maas, *vice-chairman and Chief Financial Officer*
Eric F. Boyer de la Giroday
Fred S. Hubbell
Eli P. Leenaars
Alexander H.G. Rinnooy Kan
Hans K. Verkoren

AUDITOR'S REPORT

INTRODUCTION

We have audited the financial statements of ING Bank N.V., Amsterdam, for the year 2005. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent of our competence that the annual report is consistent with the consolidated financial statements.

OPINION WITH RESPECT TO THE COMPANY FINANCIAL STATEMENTS

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the company financial statements.

Amsterdam, 6 March 2006

KPMG ACCOUNTANTS N.V.

D. Korf 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 for the period at the disposal of the General Meeting of Shareholders	**3,921**
Add to Other reserves	**3,218**
Add to share of associates reserve	**3**
Dividend to holders of ordinary shares	**700**

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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